ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 179 Number 5288 New York 7, N. Y., Thursday, January 7, 1954 Price 40 Cents a Copy

EDITORIAL

As We See It

The more closely the time approaches when the so-called Randall Commission must complete and file its findings, the more doubtful it becomes that this body will be able to formulate really significant recommendations which will be satisfactory to all or even a very large majority of its members. The reasons are not far to seek. This group of legislators and private citizens has been assigned the task of finding solutions for some of the most controversial issues of this or any other day, questions on which the Republican party is as divided as it is upon few other matters of the moment, and upon which the Democratic party is by no means unanimous.

Either a report which says very little of real meaning or else majority and minority reports in sharp conflict with each other appear all but inevitable as a consequence. In any event, it is scarcely conceivable that these highly controversial issues will fail to arouse keen and even bitter debate in Congressional committees and even on the floor of Congress itself.

The issue on which not only Congress, but both political parties are most sharply divided, is of course, the tariff. For decades the two parties, at least in their public expressions, differed sharply on this question. The time came, however, when, under the leadership largely of the late Alfred E. Smith, the Democratic party officially altered (not to say abandoned) its traditional position on the tariff. Since that time there have been protectionists and free traders (more or less) in each of the major parties. This happens to be an era when few men in public life, or in business for

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Unmasking the Mystery Of Foreign Trade

By JOHN AIREY

Pointing out domestic and foreign competition are similar in character, Mr. Airey makes a plea for freer trade, but not free trade. Says move toward ultimate goal of free trade must be carefully thought out through engineering and economic policy. Holds our greatest need is for clearer understanding of the potential of raising living standards through maximizing interchange of goods and services with other countries.

Probably one of the most misunderstood subjects today, as it affects our national interests and betterment, is foreign trade. Our current conception of foreign trade is about at the stage of understanding of two generations ago in England on the support of labor saving contributed by improved manufacturing processes. This statement would not apply quite so effectively to the United States of two generations ago because the geographic pioneering growth here was still in full swing.

John Airey

It is not more than a century ago, as we know, that bloody riots occurred in England when the power loom was introduced, which replaced hand weaving, "because it would put hand loom weavers out of work." That is ancient history at which we now smile.

Listening to a recent television debate on the subject of foreign trade between Senator Douglas and Senator Malone prompted this discussion.

I may, at first, appear to be off the track, but please bear with me. I am going to analyze the effect of labor saving machinery, improved designs of a product, or better tooling for us, the people, and ignore all specific group interests. I am also going to analyze the growing pains of progress—the inescapable change; first, purely in our domestic situation and then in our foreign trade

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1954—The Beginning of A New Bull Market

By EDMUND W. TABELL

General Partner, Walston & Co., Members of the New York Stock Exchange

Market analyst predicts selective market with an advance of 25% in the industrial average by the year-end. Lists most interesting profit possibilities in the "light blue chips." Expects subsequent gradual broadening-out of advance to include larger market segment. Maintains there are few issues technically vulnerable to sharp price declines. Cites market's past and current performance as confirming his expectation of long-term advance lasting until 1960.

Business will be lower in 1954. That is almost an unanimous opinion. The forecasts vary from almost the same level of business as in 1953 to a 5% to 15% decline. By definition, the decline varies between a recession, a shake-down, a correction, a leveling-out, a gentle slide or a consolidation. Virtually nobody expects the business level to be substantially higher in 1954. On the other hand, no one (except the professional pessimists) expects another 1929. Should majority opinion hold true, it seems fairly obvious that the investor or speculator in the stock market should pursue a very conservative course. He should concentrate on defensive issues such as utilities, foods, food chains, tobaccos (which haven't turned out so well) or on growth companies that, although they appear to be selling rather high in relation to present earnings and dividends possess continuing growth potentials which should result in higher earnings and dividends over a period of time.

Edmund W. Tabell

To the speculator, it appears evident that the cyclical, secondary and marginal companies should be avoided until the business pattern improves. Some holdings of

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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 Participants and Their Selections

J. WALTER LEASON
Institutional Department,
Montgomery, Scott & Co., N. Y. City
Members New York Stock Exchange

Commonwealth Edison

With talk of recession in the air, there is little reason to take a position in securities which do not have as much an appreciable potential as the risk involved in purchase. Such securities are becoming increasingly difficult to find and business indexes have continued to turn downward for this reason. A good sound stock like that of Commonwealth Edison seems a desirable purchase. Moreover, it is one of the very few blue chip situations which will receive the benefit of a spinoff which makes it a special situation.


J. Walter Leason

Recent developments have greatly increased the interest and appreciation potential of both the common stock and convertible preferred stocks of Commonwealth Edison. This company supplies electricity in Chicago and Northern Illinois and gas outside of Chicago. During 1952, about 86% of revenues were derived from sale of electricity and 14% from gas. The company is regarded as one of the best quality stocks in the industry. The common stock equity is 44% of capitalization and surplus.

At the present time, the company is earning only about 4½% on its rate base. It is currently requesting the first rate increase in its history. Since the current rate of return is almost confiscatory, it seems likely to get the full amount of the annual rate increase estimated at $19 million (representing 34c a share after a 52% tax rate). Hearings have been held and the matter is now under advisement by the Illinois Commission. This commission has recently adopted a more reasonable attitude toward a fairer rate of return which makes the company's position stronger.

Another very favorable factor is the large increase in generating capacity projected for this year and next—totaling 660,000 kw. By the end of 1954, generating capacity will exceed that at the end of 1951 by 25.7%. This will enable the company to save large amounts in generation by use of modern plants and retirement of old high-cost units. As a result, earnings in 1954 should increase considerably above the $2.34 a share for the 12 months ended Sept. 30, 1953. Without any consideration for additional capital investment, a 6% rate of return would increase allowable earnings to $3.33 a share. By sale of additional securities as part of its $1.1 billion postwar construction program, the investment base would rise and earnings exceeding this amount would be possible. Thus, the current $1.80 dividend providing 4.85% yield currently, could increase easily within the next two or three years.

A new factor of dynamic importance has entered the picture. On Oct. 19, 1953, the company announced that it plans to organize a new company to take over the operation of gas properties. This company would be known as the Northern Illinois Gas Company and would be the second largest gas utility in this state. The stock of this gas company is to be distributed to Commonwealth Edison's own common stockholders over a period of years. Presumably, this would be in addition to the regular cash dividend, which could also be increased.

Commonwealth Edison intends to sell $60 million of new bonds of the Northern Illinois Gas Co. An additional amount representing 50% of the net book value would be in common stock equity. This is equal to $4.22 a share of Commonwealth Edison stock at original cost and most utility equities generally sell well above book value.

Earnings of the gas utility property can only be estimated. It is probably reasonable to assume a range of 6% to 6½% for the rate of return which is usually somewhat above that permitted on an electric property. A rate base of $120,000,000 seems indicated. Using these ranges and assuming 3½% to 4% as an interest rate on the new bonds, the following earnings estimates can be derived:

Estimated Earnings per Share Common

	Assumed Rate of Return	
	6%	6½%
After interest at 3½%	$0.36	$0.40
After interest at 4%	0.34	0.38

Since the common stock equity is a strong 50%, a relatively liberal dividend can be inaugurated after about a year of operations to permit the company to accumulate an earned surplus. A dividend rate of $0.25 to $0.30 seems reasonable. This stock therefore may have a value of $5 to $6 a share.

Separation of the electric and gas divisions is basically a favorable development. Each of the resulting companies can now seek reasonable rates in proceedings before the Illinois Commission and independent strength as a 100% electric and a 100% gas utility respectively. The two stocks should prove good defensive holdings and, in addition, the aggregate values could work out to a level of $45 to $50 a share on present stock within the next two or three years by projecting recent developments. The two preferred issues are convertible on a share for share basis into the common at any time. In particular, the $1.40 preferred is attractive on a basis very close to its true money rate value. Securities of Commonwealth Edison are traded on New York Stock Exchange, Midwest Stock Exchange and San Francisco Stock Exchange.

G. M. LOEB
Partner, E. F. Hutton & Company, New York City
Author, "The Battle for Investment Survival"

The Coca-Cola Company

The first day of a new year rarely seems the best day to select the security one likes best. It is the most popular day for requesting forecasts. My 1954 forecast suggests breakers ahead. Under the circumstances, considering time, price and security, I think Coca-Cola ranks high among the few attractive shares for fresh purchases now.


G. M. Loeb

The Coca-Cola Company, as an investment, has been unique for a long time. A buyer at the top of the market in 1929 would have paid the equivalent of $48 a share. By 1934 he would have been even. By 1937 he would have had a huge profit with the stock selling the equivalent of $170. This record is spectacular for the period covered. For comparison, that blue chip of blue chips, duPont, did not recover to its 1929 high until 1950.

During 1946 Coca-Cola reached its all-time high of $200 a share and then declined to a fraction over $100 in 1951. It is $113 (NYSE) at this writing, after going through the years of 1952 and 1953 in a trading range around its bottom.

During all this time Coca-Cola sales have been steadily growing. Total sales last year doubled those of 1946. Every indication suggests continued further growth.

The market price was turned back by a variety of factors. Coca-Cola seemed to most people the very worst kind of inflation hedge and inflation hedges have been popular. Earnings have increased slightly since 1946. The dividend has been higher. On the other hand, the price-earnings ratio in 1946 was almost 30 times earnings; and by 1951 it was nearer 18 times earnings. The income yield in 1946 was about 2¼% and by 1951 nearer 4½%. The real damage was probably done by the 5c price per bottle and the unchanging syrup price. The latter is currently increased only when sugar advances above a price of 7c a pound. The workings of this contract tend to help the Coca-Cola Co. when sugar is beneath 7c a pound and, despite the escalator effect, to limit profits when sugar rises. It happens that 1947 was the start of sugar advancing enough to put the clause into effect, and since then Coca-Cola's earnings have not kept pace with their increased sales.

The outlook for Coca-Cola now seems very much improved. In the first place, there is no more OPA. In the second place, traditional prices such as 5c for a bottle of Coke have been more or less universally revised upward. A subway ride costs more than a nickel—a phone call more than a nickel, —the "Saturday Evening Post" stopped costing a nickel years ago. It would seem to me only a question of time before the higher-than-5c coke prices charged by many retail outlets will work back to a revision in contract syrup prices. If the price of Coca-Cola had kept pace with the price of milk, it would be at a fancy figure now.

Coca-Cola is management-owned and the same management has been successfully in charge over all the years of its growth. Mr. R. W. Woodruff of Atlanta, Ga., is Chairman of the executive committee. This management has felt that the best interests of Coca-Cola stockholders, which includes themselves, have been fostered by

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A 1954 Forecast for Railroad And Rail Equipment Shares

By DR. PIERRE R. BRETEY*
Railroad Analyst, Baker Weeks & Co., Members N. Y. S. E.

Railroad investment authority notes past substantial rises in carrier issues despite absence of institutional interest. Cites industry's improvement, manifested in reduction of debt and fixed charges, increase in working capital, modernization of equipment, budgetary controls, maintenance cutbacks, and more efficient operation—as offsets to adverse factors as rising wages and inadequate freight rates. Regarding future course of security prices, predicts, in view of improved fundamentals, institutional investors will re-enter railroad market to spark restoration to its former high estate.

With the possible exception of the rollover adjustment in 1949, for the first time since 1941 the railroads face a downward business adjustment. As of today most railroad managements are predicting for 1954 a decline in gross revenues of from 6% to 10%. Substantial increases in wages, rule changes and fringe benefits are likely. Any increase will, of necessity, be burdensome since every one cent per hour increase will cost the railroads $30 million before Federal income taxes. Moreover it is uncertain whether the final settlement with all of the five unions will partake of the five cent per hour pattern recently set by the trainmen, or 8½ cents per hour retroactive to Nov. 1, accepted by the railroad employees of the Aliquippa & Southern Railroad, a subsidiary of Jones & Laughlin Steel Corp.

Pierre R. Bretey

During the past decade the rails have suffered investmentwise from three major factors:

(1) The delay by regulatory authorities in adjusting freight and passenger rates to higher costs, particularly following sizable wage increases. There have been many such since World War II. However, the "adjustment lag period" has consistently been foreshortened in recent years, and may be almost entirely eliminated through passage of legislation.

(2) A large percentage of railroad industrial costs is inflexible, with the result that historically earnings have declined sharply when gross revenues contracted. Notwithstanding this inflexibility, a number of railroads achieved a flexible cost position during the rollover adjustment of 1949 and developed better expense controls than exhibited by most industries.

(3) The railroads suffered in institutional appraisal from the collapse in railroad earnings and in railroad equities both in 1929-1932, and again in 1938, collapses not duplicated since those two periods.

*A talk by Dr. Bretey before the Annual Meeting of The American Statistical Association, Washington, D. C., Dec. 29, 1953.

Absence of Institutional Interest

This absence of institutional interest in railroad securities has resulted in the market appraising railroad equities at abnormally low levels in relation to current earnings. In fact, even most investment railroad equities today are selling at from only four to five times estimated 1953 earnings. However, such avoidance of railroad shares by institutions has not precluded substantial advances having taken place either as measured by individual price changes, or by the Dow Jones average of 20 rail stocks. For instance, after a protracted decline from 189 in 1929 to 13 in 1932, the Dow Jones average rose to 75 by April, 1937; then, subsequent to a decline to 19 in 1938, an irregular recovery ensued to 68 in 1946, and to a new 22-year high of 112.03 reached in January, 1953. On Dec. 22 the rail average stood at 94.97, a 15.15% decline from the 1953 top.

More striking even than this portrayal of the major movements of the Dow Jones average is a recital of potential profits made in holding individual railroad securities over the past decade. For, as of Jan. 19, 1953, recent peak of the Dow Jones averages, the market value of such individual selected railroad common shares as could have been purchased in 1942, with an investment of $100, would have appreciated to levels indicated in the following:

For Each $100 Invested in 1942 Approximate Market Value—Jan. 19, 1953

Highest price reached by the Dow Jones Average in 22 Years

Chicago & North Western	$320
Chicago, Rock Isl & Pacific	366
N. Y., N. H. & H.	437
New York Central	405
Chgo., Milw & St. Paul	525
Union Pacific	548
St. Louis-San Francisco	570
Erie	805
Seaboard Air Line	925
Lehigh Valley	1,026
Baltimore & Ohio	1,081
Denver & Rio Grande West.	1,232
Atlantic Coast Line	1,428
Southern Pacific	1,614
Southern Railway	1,648
Santa Fe	1,766
Illinois Central	1,771
Northern Pacific	2,282
Nickel Plate	2,880
Kansas City Southern	4,450
Missouri-Kansas-Tex. pfd.	5,700
St. Louis Southwestern	23,000

It should be noted that the highs

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Regular Features

*No column this week.

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, January 7, 1954

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

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

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

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $48.00 per year; in Dominion of Canada, $51.00 per year. Other Countries, $55.00 per year.

Other Publications

Bank and Quotation Record — Monthly, $33.00 per year. (Foreign postage extra.)

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

Soggy Gold

By IRA U. COBLEIGH

Author of "Winning in Wall Street"

A yellow spotlight on whatever prospects there may be for change in the price of gold, or improvement in the share quotations of certain producers.

This golden treatise will not be in verse, since I am no poet aureate, but it will open off with a rather homely New Year's observation—the world is getting better. Why? Because if it's true that "love of gold is the root of all evil" then the world is less evil because the people in it care less for gold. This is proven by the fact that they will now pay less for gold than at any time in 20 years. If this is a happy thought for moralists, it is, by no means, so cheerful for gold mining corporations, their stockholders, and employees. Against the official U. S. gold price, $35 per ounce, which has persisted without variance for 20 years, the "free market" price of gold has slipped quite badly from a high in 1949 of $70 an ounce to recent transactions — actually as low as $34.40. Further, this sag in the world open price of gold would seem to buttress the argument of those who insist that any upward hike in the official gold price by Uncle Sam, would be unsound.

Ira U. Cobleigh

Why Price Decline?

If gold is now so low on the financial shopping lists of solvent persons on this planet, why is it? You'd rather think the lower price today would attract hoarders, particularly when they are certain of getting $35 anytime, at the cashier's window in Fort Knox. Well, hoarders seem to have gotten just a little tired. The world inflation appears to have halted, for the nonce; higher interest rates, in many countries, suggest that static carrying of sterile gold is now more costly, if you borrow to do it; and less profitable than the employment of funds so that interest returns may be gleaned. Finally, the dumping of some $100 million in Russian gold on the market in 1953 has been most disquieting. How much more will, or can, the Russians disgorge? For how long will the Muscovite threat frighten off aggressive buying of what has proved to be, physically and monetarily, the most durable and desirable metal in the world?

Experts in the field contend that part of the rather heavy decline in the free price of gold is due to greed, mismanagement of sales, and a lack of international cooperation by producers. For instance, back in 1949 South Africa started to sell some of its gold for industrial and artistic purposes on the free markets of the world. This set in motion an unabated price down-trend. Other nations got aboard the toboggan, and, by somewhat expanded production, and immediate sales, helped the price to hit bottom.

Now what is apparently needed is a unification of sales policy among the mining nations, no important increase in product, and some withholding from the market, and storage, of current output. Protagonists of this theory opine that good management could probably restore, quite swiftly, the "free" price to above $40; and that the Russiain threat need not be taken too seriously since last year's Red sales (in the market, not the sunset!) were equal to two years of current production by hammer and sickle. If this reasoning is sound, and deployed into action, then we may have seen the lowest price for gold in this century, and perhaps for many more.

Impact of Low Gold Price

Apart from prudent handling of peripheral sales, the gold producers keep hoping for an official increase in gold prices. This, they need. Gold mining costs are 55-60% labor, and everyone knows the price of labor has soared, in the past decade especially. This rising cost, against an annoyingly static delivery price, has demonstrably created havoc among gold digging enterprises. Many mines, such as Newlund, have shut down entirely, creating percentage losses in price of their shares running, in some cases, up to 90%; others such as Paymaster, Noranda, Normetal, and Quemont were closed in the last part of 1953 due to strikes. Where these labor disputes have been resolved, the level of wage increase seems to be about 5c per hour; and there is certainly a strong management inclination to shut down for good, rather than meet exorbitant wage demands. No companies will, in logic, continue to produce, with only unremitting operating losses in prospect.

But what about that other hope? What about an official boost in the price of gold from today's paltry $35 an ounce, to a more realistic figure? A price that would not only keep the mines operating (and without subsidies) but put real profit back in the pits, and, more important, bring to light of day the increased supply of gold the central banks of the world so sorely need? What hope is there for that? Let's explore.

Higher Gold Price Forecast

All over the world, leading monetary experts are talking about convertibility as a means of restoring monetary order. In our own 83rd Congress, you may expect long and learned discussions about the wisdom of return to a gold convertibility, such as provided, in the case of the pound, monetary stability and freedom from disastrous inflation from Waterloo to the beginning of World War I. Some will say that convertibility, if legally sanctioned, could be satisfactorily arranged without touching the sacred $35 marker. Others argue you can't have convertibility here, or in other nations, without importantly augmenting the gold supply; and you can't do that unless you make the price more attractive. Some have even talked of a figure as high as $70 for a little old ounce.

The argument is a perennial one. My own notion is that there will, in due course, be convertibility; and, when it comes, there will have to be a price increase. It won't be as high as $70 but it might be around $50. But neither convertibility, nor $50 gold, look like a good bet for 1954. Most countries, however, including our own, do need more monetary gold for foreign balance settlements, and to assure faith in domestic currencies. Some fine day they'll get it by the simple device of making the price right!

So with this rather gloomy prelude, and taking note of the fact that the Toronto average of gold shares is now at about an eight-year low, we arrive at the security buyer's question. Are soggy gold stocks now a buy? Are there ones that operate in the black under present conditions, and which, either because of high grade ore, or exceptional cost controls, hold out promise of gain in price or dividend?

Kerr-Addison

Probably the first company you'd want to consider is Kerr-Addison which, while only in business for 15 years, is now the largest Canadian producer. This company will probably show over 350,000 ounces of gold produced in 1953, and earn a little more than its current 80c per share dividend on the 4,730,301 common shares (sole capitalization). It has a quite fabulous ore body which seems to grow richer as mining grows deeper. The company is uniquely equipped to run its higher grade ores now, as an offset to higher costs, saving less economic levels for the happy day when the price is higher, or lower cost techniques can be applied.

Kerr-Addison has shown a rather amazing market stability, trading in a range between 16 and 21¾ over the past three years. It's 17 today. Kerr is the Canadian Tiffany in the gold department.

Dome Mines

Dome Mines, listed on the NYSE, is another favorite among gold fanciers. It paid dividends all through the depression and since, without interruption, and to its golden background it adds the diversity of earnings from oil. Dome is somewhat of a holding company owning 63% of Sigma Mines (which produces around 80,000 ounces a year), 56% of Campbell Red Lake, a fine producer which only started in 1949 and now produces more than Sigma; 48% of Mindamar Metals, a zinc property in Nova Scotia, plus 18.3% interest in Dome Western Exploration, an interesting West Canada Oil. There's also a uranium prospecting company under its wing.

In Dome you get a solid performer, a steady payer and a 70c dividend for the current price of 14½, plus a lot of future speculative glamor from an assortment of mineral potentials.

Lake Shore Mines

Lower in the price scale is Lake Shore Mines which comes to you with a slight dividend (10c a share 1953 declaration) and a market price lower than in any year since 1942. The immediate profit-from-operating prospects here are not enthralling, but there is a good ore reserve in this enterprise, and a recently discovered ore body may be the basis of a successful mine later on. In Lake Shore you're buying a rather high-cost producer, handicapped by occasional rockburst in operations. Yet in 1937 the stock sold at 59 and paid $6. Today it's a rainbow type speculation at 5¾ but, who knows, perhaps with a pot of gold at the end!

Other Prospects

Moving down a bit in the price scale, your speculative zeal might lead you to inspect **MacLeod**, an interesting item at $1.30, **New Dickinson** at $2.70 and **Consolidated Discovery** at $2. These are, of course, risky and depend for their interest to you, on the amount of sporting blood you happen to possess. But if you're going to buy gold mines, it's better to get aboard ones with some production or at least some known reserves. These meekly priced entries qualify in that slight requirement; and appear not without hope.

Of course, if you want to stay on sure ground, you can string along with **Giant Yellow Knife** which I should have listed right after Kerr; and in the U. S., **Homestake** is the top of the gold pile.

The steady low cost producers appear the safest; and the further you go down, price-wise, generally speaking, the more you're buying a long-term bet on an increased gold price. Maybe you will see the "blue of the night, meet the gold of the day." Gold won't stay soggy forever. It's still the world's favorite bar.

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The Security I Like Best

trying to hold the 5c price line. One result has been to maintain Coca-Cola's complete domination of its field, with about half the domestic soft-drink business and an even greater portion of the foreign business. There is no brand in the world as well known as Coca-Cola or as widely obtainable.

The stock represents a good straddle on coming events. Any deflation or depression could be met by Coca-Cola in a most excellent manner. On the other hand, should inflationary pressures be resumed, it is likely that the company would finally alter its price views. The syrup price contracts between Coca-Cola and its parent and subsidiary bottlers are perpetual. It is known that there are conditions under which they could be revised but the exact situation has not been disclosed. The stockholder has a huge potential in the very high sales per share. It is easy to build up very large per share potential earnings and dividends by theoretically increasing the profit margins moderately.

Financial position is excellent. The risk of the stock breaking below 100 would seem to me to be very small.

Norwood Vice-Pres. Of Union Securities

Union Securities Corporation, 65 Broadway, New York City, announces that John K. Norwood, who has been associated with the organization since December, 1951, has been elected a Vice-President.

Krumm, Lipscomb New Morton Officers

W. H. Morton & Co. Inc., 20 Exchange Place, New York City, dealers in state and municipal bonds, announce the election of Robert R. Krumm as Vice-President and Charles S. Lipscomb as Assistant Vice-President.

Haseltine, Gilbert Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Fritz A. Peterson has been added to the staff of Haseltine, Gilbert & Wilson, Inc., 108 Ninth Street, South.

The State of Trade and Industry

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

Over-all industrial production showed a seasonal tapering off in the holiday-shortened period ended on Wednesday of last week. It continued to be mildly lower than the comparable level of a year ago.

While lay-offs continued to spread in a number of industries, some lines recalled workers. Layoffs totaling more than 2,500 were announced by four companies and the Navy. North American Aviation said "stretchouts" of defense contracts will idle 1,100 employees at its Columbus, Ohio, plant. General Electric will furlough 250 Friday at its Auburn, N. Y., television parts plant.

Further Lukens Steel Co. disclosed it has let out 200 workers at Coatesville, Pa. Hercules Powder stated that 475 workers are scheduled to be dropped this month at the government-owned Radford, Va., arsenal. The U. S. Naval Shipyard at Portsmouth, Va., will also terminate the services of 500 from its payroll Feb. 19. On the other hand, Republic Steel Corp. recalled 125 of its 3,300 idle employees in the Canton-Massillon, Ohio, district. It was noted that labor-management disputes were more numerous than at this time a year ago. Strikes at two major can manufacturers were reflected in prolonged curtailment among canners. Latest reports reveal that claims for unemployment insurance benefits continued to exceed the level of a year ago and were at the highest level in 1953.

Unemployment rose in December. The United States Department of Commerce estimated the jobless total early last month at 1,850,000 This was 400,000 higher than in November, and 425,000 above the December, 1952, level. Winter cutbacks in outdoor activities accounted for part of the December rise, the department said. But, it added, the number of idle factory workers "also continued to increase." Total civilian employment in mid-December was figured at 60,800,000. This was 1,200,000 below November, and 1,100,000 less than a year ago.

Steel producers in the United States have just rung down the curtain on their best year ever, states "The Iron Age," national metalworking weekly. Facing them is a more challenging year, when a buyers' market will test them sternly. As the new year begins, consumers show signs of increasing their orders, which would bring the steel market out of its year-end doldrums.

Production for the year as a whole was close to 112 million net tons of raw steel in 1953, an all-time record for the industry, representing a 20% gain over output the previous year. Higher capacity made achievement of this record a breeze; actually operations lagged during the latter half of the year, as production overtook demand, reports this trade weekly.

Capacity rose to 124,330,410 net tons per year at beginning of 1954, an increase of 6,782,940 tons or 5.8% over capacity of 117,547,470 tons at beginning of last year. The new capacity figure is, of course, the highest in history; the industry has established a new capacity record every year since 1948. Steel industry capacity has increased 32 million tons, or 35% in the eight postwar years; since 1940 it has gained almost 43 million tons, or 52%, "The Iron Age" observes.

Steelmakers are counting on renewed buying in the next several weeks to lift the market out of its year-end decline. It is expected that January business will be only slightly better than December. But steel people are hopeful that February and March will register gains. If this is to happen, order books should reflect it during the next few critical weeks, this trade authority declares.

Labor will undoubtedly be a factor in the steel market during the first half of the year, since contracts with most producers expire in their entirety on June 30. In view of the union's avowed intention to exert strong pressure for sizable gains, there will likely be some second quarter ordering as a hedge against a possible strike, states this trade paper.

Union demands are expected to embrace higher pensions, more social insurance, higher wages, and guaranteed annual wages. Although emphasis this year will be on security, it is

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UN Experts Draft Plan to Stabilize Commodity Prices

A five-member committee, in report prepared for United Nations, proposes setting up of an intergovernmental trade stabilization commission for primary commodities, and the use of buffer stocks and compensatory payments to insure international flow of money in event of sharp price fluctuations in primary markets.

A five-member committee of experts, in a report prepared for the United Nations, recommends measures to overcome instability in the prices of primary commodities. Violent changes in such prices have had serious economic consequences for exporters and even for importers of raw materials, with consequent dislocation of international trade and hindrance to economic development.

Among the recommendations of the experts who met at UN Headquarters from Sept. 15 to Nov. 9 and whose report has already been issued, is the setting up of an inter-governmental trade stabilization commission to discuss and propose action on stability in primary commodity markets.

The experts also favor use of buffer stocks, by which price stability would be maintained by buying and withdrawing supplies from the market when prices are weak, and selling stocks when supplies fall short of demand; as well as systems of compensatory payments to ensure international flow of money in the event of sharp fluctuations in primary commodity markets.

This report of the Committee of Experts on International Price Relations is the outcome of a decision of the UN General Assembly in 1952. The Assembly then recommended to Governments that whenever they adopted measures affecting prices of primary commodities for international trade, they should consider the effect of such measures on the terms of trade of countries in the process of development so that primary commodity prices would be kept in equitable relation to prices of capital goods and other manufactured articles. Governments were also recommended to give serious consideration to all other aspects of the problem of undue fluctuations in the terms of trade.

At the same time as it approved these recommendations, the Assembly also asked that a report be prepared on practical measures which it might be advisable to adopt in carrying them out.

Robert Harter With First Boston Corp.

The First Boston Corporation, 100 Broadway, New York City, announces the appointment of Robert L. Harter as a Vice-President in the corporate sales department. He will be located in New York City. For the past four years, Mr. Harter has been a partner in Sutro & Co., San Francisco. For 18 years prior to that time, he was associated with The First Boston Corporation in the San Francisco and New York offices.

Observations . . .

By A. WILFRED MAY

Market "Flexibility" Versus Value Appraisal

In his communication to this column published Dec. 24 elaborating his plea for investor flexibility to profit from fluctuations in market price, as opposed to our plea for concentration on long-term holding based on value-appraisal, Mr. A. J. Cortese, market analyst of A. M. Kidder & Co., closed with three questions as summarizing our differences. For a final "nailing-down" of the discussion, our answers thereto, together with Mr. Cortese's respective rebuttals, follow:

(1) Should one invest for income or for capital gains?

MAY—"Investing for capital gains" epitomises a basic confusion in concept as well as in terms, under almost any conceivable definition of that much manhandled word "investing." In any event, on the grounds of empirical results as well as logic, the objective of capital gains is indefensible.

A. Wilfred May

A. J. Cortese

On this premise, the respective circumstances of the individual are irrelevant. Neither the millionaire gambler's capacity to bet on the races, nor a widow's need for a safe 7% income for living expenses, render these goals attainable.

Incidentally and as a distinctly secondary consideration, it happens that capital appreciation has the habit of automatically *following* intelligent selection of issues concentrated on criteria concerned with the long-term return of capital via income.

CORTESE—Your statement that the objective of capital gains is indefensible must be taken as an expression of personal preference, inasmuch as you offer no argument against it. Over personal preference there can be no argument. Nor do I see how you can argue against the countless examples of success in achieving capital gains; I gave only one example of such consistent success in my previous letter.

* * * * *

(2) Should the investor for income be guided by value or market conditions? Should he perhaps study both?

MAY—Income has nothing to do with market conditions, in that market phenomena give no reliable clue to the long-term income prospects in relation to the current market price. (Excepting, possibly, "in reverse"; that is, when observable prevalent misconceptions confirm the validity of your detection of disparity between value and market price.) Market-consciousness manifests the important Wall Street foible of misconceiving the nature and significance of market "liquidity." Actually, the investor must

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An Unpredictable Machine Tool Outlook

By HERBERT L. TIGGES
President, National Machine Tool Builders Association
Vice-President, Baker Bros., Inc., Toledo, O.

Calling attention to return to normal conditions in deliveries of most types of machine tools, Mr. Tigges finds outlook for the industry unpredictable, because it is still doubtful whether Congress will amend the tax laws with respect to depreciation allowances. Says, to save America from disaster of cumulative obsolescence, it is imperative that tax laws permit optional depreciation accounts by corporations.

Machine tool production for 1953 will exceed the 1952 total. Shipments for 1953 are estimated at approximately $1,300,000,000 by comparison to $1,125,000,000 in 1952.

H. L. Tigges

The larger 1953 shipments, however, are not to be accounted for by any increase in overall demand but by the completion of machines previously ordered for the Korean national defense program. Shipments reached their high point in March and have been gradually declining ever since, with peace-time orders, chiefly for replacement, cushioning the declining demand for defense purposes.

Backlog continued to decline as the year progressed. It is estimated that it will be approximately six months' production at current rate of output at the end of this year. Backlog varies greatly, however, with individual companies. While some, still completing defense orders, may have an extensive backlog, others can give their customers excellent deliveries. On the whole, deliveries on most types of machine tools have for some months been on a normal basis.

The outlook for the industry in 1954 depends largely upon factors which at this writing are unpredictable. Chief among these is the question as to whether the Congress will or will not amend the present tax laws with respect to depreciation allowances.

The industry's potential replacement market is without doubt the largest in its history. Most of the machine tools bought for World War II production are now over 10 years old; and in terms of usage, due to round-the-clock-operation, far older. A large share of the nation's machine tools are literally over 20 years old. The extent of obsolescence now existing in America's metal-working plants is amazing.

Users of machine tools know that new and better machine tools, that will substantially cut production costs, can now be secured on reasonable deliveries but they hesitate to buy them because of the penalty imposed by present Internal Revenue Department depreciation rulings prescribing an average 20-year write-off for machine tools.

Money spent for machine tools is "risk capital." Can any manufacturer foresee the risks for 20 years ahead? If he is allowed to recover his investment at the rate of only 5% a year, is the risk justified? Advance in the art of cutting metal often renders a machine tool obsolete in 10 or even seven years after purchase. Products may change, markets may change. "Take a 20-year chance? Let's put it off." So replacement is postponed.

If the metal-working manufacturer knew he could recover the capital invested in a new machine tool over the period of the foreseeable risk, he would modernize. And who is in the best position to judge the length of his risk period? He is. He knows his own business.

Our industry is convinced that to save America from the disaster of cumulative obsolescence it is imperative that the Congress amend our tax laws to permit optional depreciation. Under this system the purchaser could write off an item of new equipment in 1 or 2 years, 5, 10 or 20 years, as he chose.

If the Congress, in writing the new tax law, should enact this tax amendment, I believe it would lead to the greatest wave of plant modernization our country has seen in many a year. If, however, no change is made with respect to depreciation allowances, the machine tool industry, in spite of improvements in design and aggressive selling, will be unable to stem the growing tide of obsolescence and will be faced with the probability of further declining sales in 1954.

There is at present little hope for an increase in foreign sales. Dollar shortages and nationalistic restrictions continue to make it difficult for foreign buyers who prefer American-built machine tools to purchase them. The fact is that our country's foreign aid program has so contributed to the upbuilding of our European competition that foreign-built machine tools are now invading our own domestic markets.

Defense buying will continue, but at a relatively low level. It is true that the industry will not have to face the competition of government surplus bargain sales to anything like the extent which was the case after World War II. Most of the government-owned machines will be retained in a national defense reserve, and only machines not useful to the defense program will be sold. But no great pick-up can be expected from defense demand.

The major factor in the machine tool outlook remains the tax factor. And this is a major factor not merely to this industry, but to all capital goods industries, to all users of production equipment, and to the nation at large. Neither a rising standard of living nor an adequate national defense can be built upon obsolescence. Modernization is imperative for national progress and survival. It is to be hoped that the Congress will give this matter due consideration in its forthcoming revision of our tax laws.

John W. Bair With Burnham & Company

John W. Bair has become associated with Burnham and Company, 15 Broad Street, New York City, members of the New York Stock Exchange. Mr. Bair was formerly manager of the trading department of the New York office of H. M. Byllesby and Company, Incorporated.

How to Reverse the Recession

By PROF. ALBERT GAILORD HART*
Columbia University

Dr. Hart, predicting serious recession for 1954 or soon thereafter in consumer and producer durable goods and building, urges stimulation to consumer spending through (1) tax relief, including reductions on personal income levies to support consumer markets; (2) longer tax loss-carryback privileges with accelerated depreciation of plant and equipment bought during recession; (3) channels of Federal financing for expansion of state and local public works; (4) a truly cyclical farm support program; and (5) some standing arrangement to protect our international trading partners against disastrous dollar pinch in case of recession.

The first question to ask about anti-recession policy is what kind of recession we are talking about. And we must begin our answer by saying *an uncertain recession.* Sometime in the next few years, almost certainly, we must face stronger recessive forces than those that created unemployment approaching five million at the trough of 1949. But few economists, I venture, are convinced by the forecasts in circulation which purport to show that a deep recession in 1954 is already in the cards. For my part, I hold that the private and public decisions that will validate or refute these forecasts are not yet set; and I suspect that by the time we can distinguish the next recession from a mere wobble, we may be several months into it.

Prof. A. G. Hart

It is fair to assume that the next recession will center on a setback of postponable outlays—and a setback deeper and longer than that of 1949. In 1949, construction and producer-durable activity were down only briefly, and in their worst quarter were almost 90% of previous peak levels; while consumer-durable sales were held almost level by a rise of demand for automobiles. We can scarcely expect such good fortune to repeat itself. We must ask whether we can cope with a greater and more prolonged weakening of demand in each durable-goods sector than we then experienced, with timing more or less synchronized, and starting from an inventory situation that would be shaky if sales sagged appreciably.

*A paper presented by Professor Hart before the annual meeting of the American Economic Association, Washington, D. C., Dec. 30, 1953.

Among the key characteristics of the next recession, we must name the existence of a stabilization policy—and the public's reaction to it. The proportion of the business community and of consumers who regard prosperity as normal must be as high as in 1929. But adverse experience might rather quickly revive the impression that depression is normal. Certainly we do not dare assume our problem away by supposing that public confidence in the basis of prosperity is so strong as to yield a quick and solid revival from any setback. Rather, we had better assume that the public is *ready to be shown* that stabilization policy is working.

Non-Durable Consumer Expenditure

The field where we have the best ground for confidence in stabilization policy is the market for consumable services and non-durable goods. Surprises are possible in this field, as we saw in 1951. But we are entitled to assume that measures to sustain disposable income in a recession will be effective in sustaining this part of the market for output.

Despite the greater *relative* stability of this part of the market, its *absolute* fluctuations can be of decisive importance. In 1929-1932, the drop in this type of spending accounted for nearly 60% of the drop in gross national product (measuring in current dollars [1]) — or for a good two-thirds of the drop in spending on final products.

With the powerful elements of built-in flexibility we now have,

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[1] In "1939 dollars," the decline here was much smaller, owing to the inelasticity of supply of food and houseroom. Given reasonably adequate unemployment compensation and relief, we can count on people being reasonably well fed and sheltered even in a major recession. But if we are concerned with the maintenance of incentives to *produce currently* in the more income-sensitive fields of clothing, recreation, and the like, and to *invest* in relation to the supply of food and housing, current-dollar expenditures is the better index.

Slipping Economic Regions And North-South Competition

By SEYMOUR E. HARRIS*
Professor of Economics, Harvard University

Pointing out that in dynamic economy some regions are bound to grow more rapidly than others, Professor Harris states government and trade unions have added to difficulties of the slipping regions. Asserts large military and other government outlays have obscured extent of problem and put off day of reckoning. States movement of labor and capital into new industries is too slow, with capital and management neglecting to seek out depressed regions. Emphasizes importance of concentration of export adjustments on small sector of economy

In classical economics, it is assumed that a country (or region) that suffers a competitive deterioration, adjusts to the situation as its balance of payments becomes adverse. In this paper I contend that the expected adjustments do not take place or only after costly delays. Rigidities and imperfections in the market interfere with the adjustment process. Trade unions often prevent necessary wage adjustments; government policies put too great a burden on the adjustment process; and movement of labor and to some extent capital are too sluggish to effect the required redeployment of employment. In writing this paper, I am especially aware of the competition between developed and underdeveloped regions, and notably between North and South, or, to a lesser extent, East and West.

Dr. S. E. Harris

The classical theory assumes that a loss of competitive position evident in higher relative prices and loss of markets are accompanied by a rise of imports, a decline of exports, a loss of gold and then reduced monetary supplies and hence lower prices. In response to growth elsewhere and losses in old industries, the older regions presumably will experience a change in their industrial or employment structure, with employment rising in the more advanced employments and declining in the older less advanced industries. Thus, for example, textiles lose; machinery and metal fabrication industries gain.

Despite the weakened position of the older region, the required decline of prices (relative) may not be forthcoming. One reason is that the central banking authority (e.g., the Open Market Committee of the reserve banks) may ease the pressure through pumping money into the region (e.g., through a redistribution of the system's holdings of government securities), that is, through a movement of capital towards the weakened region. On occasion, also, governmental relief and spending policies may have similar effects. Hence the required adjustments are put off. Thus offsetting activities by the Monetary Authority or the Federal Government ease the balance of payments problem for a weakened region and hamper adjustments just as the inflow of capital into Great Britain in the late twenties obscured the weakness of the British situation, and thus interfered with adjustments; and therefore the competitive position continued to deteriorate. This type of interference is especially relevant for policy relating to the South and Northwest.

A second reason for failure to obtain the required adjustment is that trade unions prevent a reduction of wage rates or a rise in work-loads for the older region (and hence increased man-hour output). These policies are likely to prevent adjustments notably when a trade union imposes on the weakened region the higher wage rates of higher income areas (e.g., U. A. W., C. I. O.), or when the trade union is stronger in the "declining" region than in the new competitive region (e.g., Textile Workers Union, C. I. O.).[1] If the required adjustments are not made, the region will suffer large and long spells of unemployment. Any inflexibility or lack of venturesomeness or unwise investment policies of management contributes further to the delay in adjustments.

A third factor that tends to aggravate the problem of adjustment is public policy. Insofar as the government favors the newer industrial regions through tax and spending policies, or favors these regions through pricing policies (farm support programs), and increases the competition for the older regions (e.g., through reduction of tariffs), to this extent the government adds to the burden on the older region. The required adjustment in prices, given all the rigidities, puts an excessive burden on price adjustments. **Note that this type of public policy does not postpone adjustments as suggested above, but adds to the total burden of adjustment.** In various publications, I have discussed in some detail the contributions of the government in aggravating the adjustment problems for New England.[2]

Still another factor that interferes with the adaptation to a new industrial structure, is the failure of labor and capital to move into the new industries or thriving localities in the region. Capital moves easily from region to region—much more easily than from country to country; and the fact that obstacles to international capital movements are much greater than they used to be, tends to increase interregional movements. With capital and management easily moved, and labor rather immobile (as has been noted in numerous studies of the New England economy), the tendency is for large surplus labor supplies to be concentrated in the older regions and particularly in the towns harboring the declining industries.[3] That capital and management move easily and labor does not, aggravate the distortions.

Again, wage rigidities interfere with wage adjustments that might attract new employments. Ultimately, unemployment may bring about lower wages and attract new industries. But the tendency for the new industries is to avoid the depressed areas. The genuine situation in the older regions has been concealed to some extent in the last 10-15 years by the unusual prosperity engendered in part by large public outlays.

It is also assumed that prices and wages would ultimately rise in the newer industrial regions, thus contributing towards a solution of the imbalance in the older regions. Indeed, there is evidence of a narrowing of the difference in wage rates, for example, from 56% to about 10% in cotton textiles from 1890-99 to 1950 and close to 20% early in 1952. But we should not leave out of account the growth of the fringe differential (in textiles, accounting for a differential equal to one-third of the total 18 cents differential in late 1952), the gains in relative power costs for the South, the artificial advantages given via social security to newer and growing regions, with much less unemployment and lower benefits, the use of tax systems that discriminate in favor of industry, the constant flow of labor from the farms. These are gains for the South.

When classical economics assumes that costs and prices would rise in the regions exporting much, it fails to allow sufficiently for the vast untapped resources of farm labor fed by the high fertility in the farms. (The South has 20 times as much farm labor as New England.) This constant movement from the farms tends to depress the wage rates and prices in the South and delays adjustments.[4]

That artificial restrictions on trade are not available to the extent that they are in international trade further strains the adjustment process. A **region** nurturing new industries can capture a larger part of the market and with much greater speed than a **foreign competitor** can capture the market of an American industry, and, as we note later, it is interregional trade that really counts. In interregional trade, no exchange problems arise; no possibility of tariff revisions; and hence large investments in selling may be made with less risk than in international trade; and free movement of capital, management and ideas often stimulated by the firms in the older regions contribute to the rapid diversions. The magnitude and speed of the changed direction of regional trade puts an especially large burden on the region threatened by the new competition. Yet this region does not have the way out, open to a nation, namely, restrictions on trade which might slow up the adjustment process. It is significant that no government will tolerate large losses to foreign competitors over a short period; and yet in national economies, the government not only may allow much larger losses to regional rivals but through its policies will even accelerate the movement.

The major competition faced by American industry is interregional, not international. For example (see table below).

Obviously, most sales are **at home**. In fact, a large part of **all** sales are within the region or even city of production. This is perhaps even more true of services than **of** movable goods. A large part **of** our services are almost exclusively free of interregional competition—medical, local and state government, public utilities, domestic service, local transport, public education, etc. Here competition outside the city or region is distinctly limited. **This point is of importance because it underlines the limited area within which adjustments in response to losses in interregional competitive position must be made.**

It is well to remember that manufacturing income in 1952 accounted for but 31% of all income. The major adjustments in the competitive position of a region have to be concentrated to **a** considerable extent on this **part** of the economy. Hence, large losses in interregional competition, say in textiles and shoes, **if** they are to be made goods in substitute exports, must largely **be** made goods in improvements **in** manufacturing "export" industries.

Agriculture, forestry, fisheries

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*A paper by Professor Harris read before the Annual Meeting of the American Economic Association, Washington, D. C., Dec. 30, 1953.

1 Professor De Vyver has estimated that in 7 important industries in 11 Southern states, the percentage of union members relative to the percentage of employment in the nation for these industries varied from 24% in lumber and lumber basic products, 25% in apparels (43% in textiles) to 53% in construction and 62% in coal, and 117% in tobacco manufactures. F. T. De Vyver, "Labor Factors in the Industrial Development of the South," *Scuthern Economic Journal,* October 1951, p. 194.

2 *The New England Economy: A Report to the President by the Committee on the New England Economy,* 1951, Ch. XIII; S. E. Harris, *The Economics of New England,* 1952, Parts II and V; *Report on the New England Textile Industry by Committee Appointed by the Conference of New England Governors,* (S. E. Harris, Chairman), 1952, *Report,* pp. 65-69; *Research Report,* pp. 273-284.

3 *The New England Textile Report,* pp. 145-46; The Commonwealth of Massachusetts, *A Report on Unemployment Compensation Benefit Costs in Massachusetts,* 1950, p. 29; and "Reconversion in New England," *Monthly Labor Review,* July, 1946, pp. 12-13.

4 These problems are discussed at length in the *Report on the New England Textile Committee,* see especially Chs. 3-6, 15-17.

Production and Exports of Movable Goods, 1939, 1950, 1951 *
(in billions of dollars)

	Agricultural Products	Value Added by M'facture	Mining	Freight Receipts	Total	Exports	Exports, % of Product'n
1939	$9.0	$24.5	$3.8	$4.2	$41.5	$3.1	7.5%
1950	31.1	89.7	11.8	11.6	144.3	10.1	7.0
1951	35.5	104.7	13.3	12.9	166.4	14.9	8.9

*SOURCE: A Trade and Tariff Policy in the National Interest: A Report to the President by the Public Advisory Board for Mutual Security, 1953.

Bank Executives Hail Return to Free Markets

In Annual Report to Shareholders of National City Bank, Howard C. Sheperd, Chairman of the Board, and James S. Rockefeller, President, find, as year closes, inflationary trends have been arrested, and money policy is one intended insofar as it can, to maintain economic stability. Foresee some decline in business activity, but hold no major depression evident.

In the Report to Shareholders to be presented at the 142nd Annual Meeting on Jan. 7, Howard C. Sheperd, Chairman of the Board, and James S. Rockefeller, President of the National City Bank of New York, call attention to the return to a free market economy during the past year. Says the beginning of the report:

"The year 1953 has been marked in our country by the removal of most economic controls and by the re-establishment of free markets in nearly all parts of the economy except agriculture. Production, trade and employment have set new high records. Personal, corporate and government debts have increased; but at the same time savings have risen in gratifying measure, and prices on the average have been stable.

"Early in the year the monetary authorities allowed heavy demands for funds to have their natural effect in raising interest rates in all sections of the money market. Security prices were correspondingly depressed, culminating in a sharp decline in bonds in the late spring. Subsequently, purchases of government securities by the Federal Reserve Banks and a reduction in member bank reserve requirements eased the pressures and market recovery followed. Many have complained that these fluctuations were unnecessary, costly and disturbing. However, the tightening in the forepart of the year, when the markets were over-crowded, caused deferment of some borrowing and of some demand for goods, and thus reduced inflationary pressures. Conversely, the subsequent easing, coming at a time when business activity and needs for money have levelled off, gives support against deflationary influences and hence promotes stability.

Howard C. Sheperd James S. Rockefeller

"It should be understood that a flexible money policy can operate only through flexible money markets. The alternative to flexible policy, as was learned during the years before 1951 when prices of government securities were pegged is inflation, which leads to imposition of direct economic controls. The country cannot hope to have the benefits of a free economy, or money of stable purchasing power, unless money policy is free to change, and interest rates to move, as economic conditions change.

"As the year closes it seems correct to say that inflationary price trends have been arrested or have lost their momentum, that money again is neither overly tight nor excessively easy, and that money policy is intended, insofar as it can, to maintain economic stability.

"Among banks generally, deposits, loans and investments have changed relatively little in amount from the end of 1952 to the end of 1953. The volume of business passing through the banks has been great, money rates have averaged a little higher, and earnings have shown some improvement despite higher taxes and expenses. All these trends appear in the operating reports of this bank."

Concerning the outlook of business for the current year, the executives of the National City Bank state:

"As the year closes it is generally agreed that business activity has slowed somewhat, and that key industries are likely to experience some decline in production and sales in 1954. The immense output of goods and services has brought back buyers' markets in more lines, and there is little inducement to add to inventories or place commitments for goods far ahead. On the other hand, the conditions which would be expected to bring on a major business decline are not generally evident. Programs for plant and equipment expenditure show only a small shrinkage despite completion of many defense plants. The aggregate demands of the Federal, state and local governments on the economy promise to be substantially as large as in 1953. Personal buying power is backed by a still-growing volume of liquid savings, and will be reinforced by tax reduction. It seems plain that money will be available for sound and worthy projects.

"Even a modest decline in business will require vigorous effort to increase efficiency, reduce costs, improve products, and sell at prices which people can pay. The responsibility for the success of this effort falls alike upon management and labor. In that way the year will impose a test of leadership.

"We are constantly studying our own operations with the three-way objective of improving our efficiency, providing the variety and quality of banking service which our customers expect and which it is our purpose to render, and building for the future. We are aggressive in seeking new ways to make our organization more useful and to increase both our commercial and correspondent bank business. In this effort we are helped by the broad scope of the services we offer at home and overseas, and by the effectiveness and loyalty of our staff.

"In the larger view, we recognize the responsibility of bankers, as of all businessmen, to contribute to the maintenance of prosperity through their own enterprise, and to promote economic stability and progress through sound practice and constructive leadership."

Dealer-Broker Investment Recommendations & Literature

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

Common Stocks For Investment — Tabulation by industries — Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y. Also available are brief analyses of **Chicago, Rock Island & Pacific Railroad, Erie Railroad, Seaboard Air Line Railroad** and **Spokane International Railroad.**

How to Make Profits in Commodities—W. D. Gann—$10 per copy — Lambert-Gann Publishing Co., Inc. 295 Northeast 55th Street, Miami 37, Fla. Also **"45 Years in Wall Street—New Stock Trend Detector"**—$10 per copy, or ask for free descriptive circular B-13.

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

Managing Accounts For Capital Gains—$1 per copy plus bulletins for next six months—Homer Fahrner, Moon Road, Corning, Calif.

Monthly Investment Plan—New method of marketing securities available to New York Stock Exchange member firms—New York Stock Exchange, 11 Wall Street, New York 5, New York.

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.

Philadelphia Bank Stocks—Comparison of 11 largest Philadelphia banks—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa.

Public Utility Common Stocks—Tabulation—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Railroad Outlook For 1954 — Circular — Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Stocks Favored By Institutions—List of better grade equities —Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Stocks For 1954 — Suggested portfolios in current issue of "Market Pointers"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is an analysis of the **Market Outlook** and a short discussion of the **Drug Industry.**

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American Broadcasting-Paramount Theatres, Inc.—Resume—Oppenheimer, Vanden Broeck & Co., 40 Exchange Place, New York 5, N. Y. Also in the same circular are resumes of **Kennecott Copper Corp., Kaiser Aluminum & Chemical Corp., National Gypsum Company** and **New England Electric System.**

American Machine & Foundry Co.—Memorandum—David A. Noyes & Co., 208 South La Salle Street, Chicago 4, Ill. Also available is a memorandum on **Mississippi River Fuel Corp.**

Capitol Records, Inc.—Memorandum—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif. Also available is a Memorandum on **Kaiser Steel Corp.**

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

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

Delhi Oil Corp. — Memorandum — Rauscher, Pierce & Co., Mercantile Bank Building, Dallas 1, Tex.

Kaiser Steel Corporation—Report—First California Company, 300 Montgomery Street, San Francisco 20, Calif.

Lone Star Steel Company — Analysis — Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available is an analysis of **Canadian Chemical & Cellulose Company, Ltd.**

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

Minnesota Power & Light Company—Report—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Oxford Paper Co.—Memorandum—A. C. Allyn & Co., 44 Wall Street, New York 5, N. Y.

Puget Sound Power & Light Company — Analysis — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

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

Rockland Light & Power Co.—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Texas Gulf Sulphur Company — Analysis — Bruns, Nordeman & Co., 60 Beaver Street, New York 4, N. Y.

THE MARKET . . . AND YOU

By WALLACE STREETE

Some of the glum feelings around Wall Street at the turn of the year were dissipated a bit as the first week of the new year led off with a rather spirited price recovery, particularly for those issues that had suffered most in 1953. But since the market seems determined to offer anything but complete satisfaction to anyone, the rather sharp shrinkage in volume injected a note of uncertainty.

* * *

The majority of market analysts were on the cautious side particularly since the 1953 sellers held out to the very last minutes and ended the year's trading with the tape two minutes late and prices heavy. It has been a long time since the list broke off a year on such a dismal note. The final session has seen an upbeat in all but a handful of the years of this century.

* * *

Big Losers Meet Reinvestment Demand

Chrysler, which was as hard hit through 1953 as any other investment grade issue, showed the earmarks of reinvestment demand and did well, adding as much as a couple of points for a couple of sessions running. But it has far more work to do if it is going to erase the better than $36 trim of last year, which loss represented some one-third of its value 12 months ago. It was by far the largest decline sustained by any of the 20 most active stocks of the year, the second being Canadian Pacific's 12-point loss.

* * *

Texas Pacific Land Trust was another of the issues dealt harshly with by the investing public last year. It lost half a hundred points which, again, was a rough one-third of the value at which it started 1953, but it isn't showing anything like the reinvestment demand in Chrysler.

* * *

Star Performer

The star performer of the year, as well as the only stock that wound up the period by doubling in value, was Real Silk, largely because of a company purchase plan. There were half a dozen other issues that added 60% or more to their value, the list including New York Shipbuilding, Columbia Pictures, National Theatres, Visking Corp., Bullard and Consolidated Cigar. On the other end of the list were two issues that lost 60% or more of their value—Detroit-Michigan Stove and United Wallpaper, the stove firm nudging out the other by a narrow margin to put on the year's worst performance.

* * *

Celanese Corp., which has been in a downdrift for three straight years, was high on the list of losing issues of 1953. Its loss came to almost half its value. But Celanese has been showing signs of some gingerly accumulation in this week's trading. There isn't anything too prominent in the textile business to warrant undue optimism so whatever interest there is in Celanese could logically be the result of a simple calculation. A stock now down to 20 can't have too much more to go considering that it sold close to 60 in 1951 and above 50 in 1952. The best last year was well short of 40.

* * *

There was nothing decisive in the first week's trading to indicate any pattern for the new year. There was plenty of evidence of switching still going on, presumably by institutional investors, not the least being such unusual blocks as approximately 30,000 Niagara Mohawk Power which erupted in sales of 19,000, 6,000 and 3,900. Also in this category was a single turnover of 12,700 shares of Corning Glass Works which was enough to topple the issue rather markedly. It had been hoped that virtually all of these year-end chores had already been accomplished with only reinvestment demand to be handled at this time but that, apparently, wasn't to be.

* * *

Rails Pick Up

Rails, chronic laggards of most of last year's rallies, seemed to want to do better. In fact, they scored the better percentage gains on the bouyant trading of the first week. Nevertheless, Lehigh Valley and Norfolk & Western made early appearances on the new lows list. New York Central, volume leader of 1953 by a wide margin, wasn't able to do much pricewise so far in 1954. Central's turnover of 4,084,900 last year, incidentally, ran well aheal of second-place Parkard's total of 2,934,700.

* * *

American Telephone which, despite its relatively high price was able to be 1953's third most active stock, rolled up a 2,793,133 total which wasn't too far behind Packard. But it costs nearly 40 times as much to buy Telephone as the auto-maker's issue. The arbitraging between the Telephone convertibles and the common came to an end even before the holidays and the issue was a bit heavy when left to its own devices in the final sessions. But with the arrival of a new year, Telephone picked up in esteem again and has been giving a good account of itself so far.

* * *

Another aspect of the early markets of the new year that isn't overly comforting is a rather quick disposition to take profits. As a barometer of the market, this could indicate a lack of confidence on a rather broad scale. Goodrich, in one session, was able to forge ahead widely to a new high but was cutback quite hard before the trading even ended. Hiram Walker was also a bit erratic, first making valiant stab at a new high but backing down when it couldn't make the grade. Douglas Air was similarly uncertain in the aircrafts. Movie shares, however, were still popular with some of the investing public.

* * *

Metals' Change of Pace

An early change of pace was more popularity for the coppers and smelting shares than they have enjoyed in some time. Virtually all the issues in the two groups surged forward in the year's second session and the gains were substantial. Also perking up somewhat were the cigarette shares, particularly after joint plans to get the real facts in the smoking-versus-lung-cancer controversy. Oils, which could be called the most neglected group of 1953, showed little evidence of changing their way of life this early in the year. All the optimism normally shown by new discoveries was pretty well cancelled out by the continuing glut of products in storage. What swings individual issues managed were largely meaningless.

* * *

Steels, while far from spectacular, nevertheless have been doing well despite some of the more pessimistic estimates of the business outlook which, obviously, would be reflected speedily in steel operating rates. They were once the cyclical of all cyclical industries but against this is the final loss of less than three points for 1953 by U. S. Steel which was the year's fifth most active issue. Oddly, it was the only steel producer to appear in the 20 most active issues.

[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.]

Rejoins Central Republic

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Charles G. Lumaghi has rejoined the staff of Central Republic Company, Security Building. He has recently been with Merrill Lynch, Pierce, Fenner & Beane.

The Economic Outlook for 1954

By DR. GERHARD COLM
Chief Economist, National Planning Association

Dr. Colm expects continuation of present mild downward trend, with aggregate demand and production in 1954 $10 to $15 billion below 1953. Cites possible measures to fulfill government's pledge to reverse the trend, as tax reduction; credit easing, including terms for home financing; and initiation of useful projects of additional public works. Asserts businessmen's expectation of government recovery programs can itself be effective in counteracting fears. Concludes in any event longer term outlook is promising.

The safest "forecasts" are about events of the past. It can be stated that in the second half of 1953 the level of economic activity fell away from its all-time peak of last spring. The Federal Reserve Index of industrial production (1947-49=100, seasonally adjusted) reached 137 in May 1953 but had fallen to about 130 by the end of the year. That is a drop of about 6%. Production, employment, and hours of work are slightly below that of a year ago.

Talking about a turn in the trend of economic activity already implies some suggestions about the future. It implies that we don't expect an early and automatic upturn.

Present Intentions for Future Buying

We can go one step further by surveying present intentions to buy in the future insofar as they can be ascertained.

Government's spending during the next calendar year has been pretty much determined by past action. Federal spending for national security in 1954 may be $2 to $3 billion below that of 1953. State-local spending will probably continue to rise, particularly spending for roads, schools and other improvements. Thus, total government demand may be down by only $1 or $2 billion.

The McGraw Hill survey of business plans for investment in plant and equipment shows an 8% decline in manufacturing industry, but only a 4% decline in all segments of business taken together, including commercial trades and utilities. A 4% decline would mean a drop of a little over $1 billion. It is encouraging that business plans such a high level of investment even though most of the defense-related expansion of facilities has been completed. It is especially significant that large spending for modernization is planned in industries in which the sale of goods is expected to be downward.

Trends in residential construction as interpreted by the Commerce and Labor Departments also indicate a 4% decline in 1954 from the 1953 level, or a decline of about one-half billion dollars. Various surveys indicate the present intention of business to curtail inventories in several industries.

According to the Michigan Research Center, consumers this fall were optimistic about next year's income and more people than at any time in the past several years felt that "this is a good time to buy large household items." Expressed intentions to purchase automobiles also remained on a high level, though compared with last year there were some indications of a slight tendency to delay replacements.

These surveys foreshadow no drastic increases or decreases in buying by any sector of the economy. Nevertheless, on balance they suggest a continuation of the present mild downward trend. When these fragmentary pieces are put together into a coherent picture and some decline in personal income allowed for, it appears that aggregate demand and production in 1954 might be $10 to $15 billion below that of 1953.

In order to maintain full employment a rise in total production of about $10 billion (in recent prices) would be needed. This estimate assumes the usual entries into the labor force and a 2½% increase in output per manhour. However, it allows for the fact that, with the pressure of the defense program diminishing, some withdrawals from the labor force, some shortening of average hours of work, and some increase in frictional unemployment would be compatible with the concept of full employment. An economic decline of the magnitude indicated by present buying intentions would leave the level of activity about 6% below a full employment level and would imply average unemployment of three to four million.

This outlook cannot be accepted as a "forecast," however, for it reflects present intentions and trends and does not take account of the many different ways in which business, consumers, and government could respond to a downturn in activities.

Possible Responses to Continued Downturn

Business faced with a further mild weakening of the market might curtail further its purchases and production in order to reduce inventories more than now intended. On the other hand, forward-looking businessmen may decide that this is the time to press forward with the production of new products; or to reduce costs through speeding up modernization of plants and equipment; or to offer goods at more attractive terms. Such responses to market weakness would increase both investment outlays and consumer spending. Many consumers hold liquid reserves which they might be willing to dip into for the right product at the right price.

Finally, the government, in the event of a continuing decline in activity is pledged to adopt measures designed to reverse the trend. Taxes might be further reduced, thus enlarging purchasing power. Credit might be further facilitated; in particular, terms for home financing could be eased, with considerable effect on construction activity. Useful projects of additional public works nature could be initiated, though there would be some time lag before their effects would be felt.

In our present state of knowledge it is only possible to indicate the economic trend on the basis of present buying intentions. This trend is, as we have seen, mildly down. How consumers, business, and government would respond to a continuation of a mild downward trend may be the subject of conjecture but cannot be the subject of a firm prediction. These responses could aggravate, mitigate, or reverse the downward trend.

Business and consumers are likely to aggravate a downturn when in the preceding boom speculative overcommitments have take place which will be liquidated when a longer lasting downturn is expected. It is encouraging that except for some limited areas in which excessive inventories have been accumulated the economic structure is basically sound so that no large scale liquidation of commitments is necessary.

There is also the fact that business by and large expects the government to initiate a recovery program if the downturn should continue and become more severe. This confidence in itself would counteract fears that may develop. The government has already adjusted its monetary and credit policy to the changing economic conditions. We can also expect that tax adjustments will be made promptly. However, we still do not know how effective general credit and tax policy will be for supporting business investment and consumer buying. Except in the field of residential housing, the initiation or acceleration of other programs requires considerable time.

Venturing a final appraisal which can be no more than a personal opinion, it appears most likely that the present mild downturn will continue for at least part of the next year. At best, some time is required before the effects of pushing the production of new merchandise and of cost and price reduction could make an impact on investment and sales. It is very important that in the meantime the confidence of the country in the government's willingness and readiness to act will be maintained. That is essential for preventing an economic downturn from developing into a downward spiral and a depression. It is essential for laying the basis for resumed economic expansion. Whatever problems may lie ahead in the near future the longer-term outlook is promising.

Distributing New Corporate Securities

By C. L. ROLLINS*

Author, in discussing problems involved in movement of securities from hands of underwriters to investors, stresses importance of underwriters knowing their market-place and integrating the requirements of corporations issuing securities with the current demands of investors for various types of issues. Holds, because of change in economic forces, along with competitive bidding, the role in underwriting of small securities dealers has become restricted. Lists facts that influence underwriters in deciding what other investment houses should participate in sharing risks of distribution, and describes the contents of underwriting agreements, along with the activities of syndicate departments of investment banking houses.

Effective distribution to the public of new offerings of corporate securities is a highly specialized sector of the investment banking business. Distribution is generally the responsibility of the syndicate department of each underwriting house and, to operate efficiently, this department must have a broad knowledge of the general investment market, of the various types of securities and of money rates. Protagonists of competitive bidding for new issues tend to stress the importance of proper pricing in successful distribution, giving little or no weight to other equally vital factors, some of which are outlined hereunder.

It is difficult to fractionate and analyze individually the various contributing functions involved in the supplying of capital to industry. The distributing function, which encompasses the movement of securities from the hands of underwriters to investors, is integrally related to the other phases of underwriting. To put the thought in the form of an aphorism "you have to buy right to sell." A new issue of securities must not only fit the selling company's requirements, particularly as to capital structure, but must also, to a degree, be tailored to the current demands of the market-place in order to be salable. It is the responsibility of the syndicate department of the underwriting house to know the market-place and to advise its buying department as to the market's current and changing appetite for various types of securities. This integration of the relationship between the requirements of the corporation issuing securities and the demands of the marketplace is the keystone to successful distribution.

Change in Method of Capital Formation

A fundamental factor affecting the marketplace is the historical change in the method of capital formation or, in other words, the gathering together of the reservoir of funds awaiting investment. Under today's circumstances of relatively high individual income taxes, savings are accumulated largely in the hands of fiduciary institutions—life insurance companies, savings banks, pension and mutual funds, for example. These institutions, rather than individuals, are now playing the major role in supplying capital to industry. The concentration of the supply of funds in the hands of this relatively small number of institutions (as compared, for example, to large numbers of individual investors in the 1920s) has caused a major change in the distribution machinery of the securities business.

The changed position of the individual saver is the product of a variety of causes in addition to high individual income taxes. High corporate income taxes have increased the attractiveness of debt financing to the corporation. This appeal of debt financing was further enhanced by the attraction of artificially created low money rates. These same low money rates accelerated the withdrawal of the individual from the market for fixed income securities. At the same time, competitive bidding for railroad and utility securities was progressively reducing the margin (spread) available to meet the costs of distribution.

It should be noted that, since the eventual underwriter plays no part in planning a security to be offered at competitive bidding, he incurs no expenses in this connection and his problem therefore becomes primarily a matter of pricing the security. The syndicate department has this responsibility of determining the highest price it believes the investor will pay for a given security at a time fixed by the issuer.

The net effect of the change in economic forces has been to limit the role of the small securities dealers scattered throughout the country. Prior to the "New Deal," the dealers' abilities to sell securities of all kinds to individuals and smaller local institutions made them the backbone of the industry. Many large investment banking houses (wholesalers) employing their capital in the purchase of security issues, formerly relied almost entirely upon small dealers (retailers) for distribution to the investing public. It was then essential that the syndicate manager be thoroughly familiar with the distributing ability (and financial responsibility) of a large number of smaller dealers. The dealer role in distribution, while resulting in wider diversification of security holders, was also somewhat costlier and spreads were necessarily larger. The new economic forces at work since 1932 have tended to restrict such dealers mainly to the roles of brokers and of mutual fund and common stock salesmen. As is so often the case, tinkering with the laws of economics produced unwanted and unexpected end results. At the present time, the underwriter has, to a major degree, taken over the now somewhat circumscribed function formerly carried out by the local dealer.

Organizing Underwriting Syndicates

Some understanding of the foregoing broad economic forces is necessary in order to focus properly upon the specific problem of currently underwriting a particular security issue. If the proposed issue is substantial in size, the originating investment banking house will invite other underwriting houses to participate severally in the transaction. This, the direct result of the liabilities imposed upon underwriters by the Securities Act of 1933, is done in order to bring additional underwriting capital as well as additional distributing ability to bear on the task at hand. Obviously it would be poor judgment

*A lecture given recently at New York University in New York City.

to run the risk of immobilizing all of a firm's capital in an unsuccessful deal by accepting underwriting participations unduly large in relation to capital. In this connection, conversely it is prudent to accept a smaller risk in a relatively large number of underwritings. Underwriting houses which are members of a securities exchange are also limited by the rules of the exchange as to commitments of their capital.

What facts should influence the originating banker (managing underwriter) today in determining what other houses should be invited to share the risk? The following points should be considered:

(1) Character of distribution—in other words, relative ability to sell bonds, preferred stocks and common stocks. This might be characterized in another way as ability to distribute to institutions or individuals.

(2) Broadness or extent of distribution as related to the size of the merchandising job in hand.

(3) Capital in relation to size of proposed underwriting participations.

(4) Availability—i.e., degree of involvement in other underwritings which may be going on simultaneously.

(5) Specialization—i.e., particular interest of a given house in types of securities such as rail or utility issues.

(6) Regional interest—i.e., the regional character of a given underwriter's distribution as compared to any particular regional appeal of the security being underwritten.

These points are considered whether the contemplated transactions is one of negotiation or competitive bidding.

Underwriting Agreements

Much has been said about the role of historical relationships in connection with underwriting participations. The history of previous underwritings of a given corporation's securities is only significant to the point that it indicates an underwriting house's ability to perform as an underwriter and distributor in the future. A comprehensive analysis of this factor is set forth in the opinion handed down by Judge Medina in deciding the recently concluded anti-trust suit against certain investment houses.

The contractual relationship between the various participating underwriters and the managing underwriter of a given issue is spelled out in a document known as the "Agreement Among Underwriters." The managing underwriter is, among other things, accorded the right by the other underwriters of reserving all or part of each house's participation for volume sales to large institutions and for sales to other securities dealers. Some underwriting houses have larger sales departments and therefore wish to retain a substantial portion of their underwriting participation for their own retail sales, while others are content that a major portion be sold for them by dealers or as volume sales. Thus it can be seen that the syndicate manager of the managing underwriter must be familiar with the internal setup of each of the members of his group. The volume sales to large institutions are known as group sales and are made at the public offering price. The group sales mechanism is a development which has increased in importance with the corresponding increase of the institutional buying market. Sales to dealers are known as selling group or selected dealer sales and are made at the public offering price less a selling concession to the dealer. The size of the total spread is determined by the inherent underwriting risk and is relatively greater in bonds of lower rating, preferred and common stocks. The percentage of the total spread represented by the selling concession is determined by the inherent salability of the security.

The syndicate department must be familiar with the provisions of the Securities Act of 1933, the Securities and Exchange Act of 1934 and the various Rules of the Securities and Exchange Commission, particularly to the extent that they apply to the distribution of securities.

Meeting the "Blue Sky Laws"

Another responsibility is imposed upon the syndicate department by so-called "Blue Sky Laws" of the several states and by restrictions placed by state laws upon investments by insurance companies. These limitations must, of course, be initially considered in planning the issue itself, but here we are considering only the problems they impose on distribution.

Some states require that a security be registered in that state before any securities can be offered either at all or to certain classes of investors and that firms must be registered with the appropriate state authority to qualify as dealers. The syndicate manager must not only be familiar with these restrictions but must know what members of his account are or are not qualified in any given state. He must know the legal buying limitations of institutional investors as well. While he is guided in these matters by memoranda prepared by counsel, the ultimate responsibility is his.

In order to insure the orderly distribution of a new offering and its ultimate placement in the hands of bona fide investors, it is at times necessary to "stabilize." To accomplish this, the underwriting manager will place a "syndicate bid" in the market at the public offering price. In other words, the market is informed that the public offering price will be paid for any of the issued securities that may be offered in the market. The managing underwriter, in anticipation of buying some securities with the stabilizing bid, may initially over-allot the new issue and acquire a short position. Errors of judgment by the managing underwriter in transactions of this type might result in a substantial loss to an otherwise successful syndicate operation. Most agreements among underwriters and many selling group (or selected dealer) agreements provide that, if a security is purchased by the managing underwriter in a stabilizing operation during the life of the syndicate, the underwriter or dealer who originally purchased such particular bond or share of stock from the syndicate will refund to the syndicate the amount of the selling concession. This is done because the selling concession represents compensation for distribution which was not really accomplished.

Some offerings are "sell outs," that is, the entire offering is immediately absorbed; others are slow; and, of course, some are unsuccessful and the better part of the issue remains in underwriters' hands. Here too the ability of the syndicate manager comes into play. In the second instance he must know which of the participants has unsold securities and, if possible, turn them over to other members or dealers who still have a demand. He may decide, after consultation with the members of the group, either that he should hold to the original offering price or that a reduction in price will insure the effective distribution of the unsold balance. On the other hand, it may be in the best interest of all to dissolve the syndicate and permit each participant to decide for itself what disposition to make of its portion of the unsold balance.

Activities of the Syndicate Department

A short outline of the activities of the syndicate department after the issue has been set up, the offering date determined and the underwriting group formed is as follows:

I

Prior to the Offering Date

Canvass the field of prospective large institutional purchasers and describe the security to be offered.

Send out "Identification Statement" and preliminary prospectuses both to the above and to dealers.

Record requests of dealers for allotments.

Keep close check on the market for comparable securities.

Determine which underwriters' names are to appear on the cover page of the prospectus and in advertisements and the order of appearance. Also when and where advertisements are to be placed.

As the offering (or bidding) date nears, determine, in consultation with other members of the group, the offering price and spread.

Determine what portion of the issue to reserve for group and dealer offering and what portion to release to participants severally for their retail sales.

Estimate amount of out-of-pocket expenses chargeable to the account.

II

On and After the Offering Date

Make group sales to institutions.

Offer securities to selected selling group dealers.

Make selling group sales to dealers entering subscriptions.

Place stabilizing bid in the market.

Over-allot, if considered necessary.

Take back unsold securities from underwriters unable to sell and place such securities with other underwriters having a continuing demand.

Report group sales and selling group sales to the members of the underwriting group.

Determine when the distributing has been completed and close the account.

Four Partners in Stein Roe & Farnam

CHICAGO, Ill. — Four executives of Stein Roe & Farnham will become partners in the Chicago investment counsel firm on

Lang Elliott Henry B. Thielbar

John M. Tittle Robert A. Woods

Jan. 1, 1954, Sydney Stein, Jr., announced.

The are Henry B. Thielbar, Manager of the New York office; John M. Tittle, Account Executive and Vice-President of The Stein Roe & Farnham Fund, which is administered by the firm; Robert A. Woods, Account Executive and Assistant Secretary of the Fund, and Lang Elliott, Research Analyst in the Chicago office.

This brings to 11 the number of partners in the firm, whose sole business is supervision of investments of individuals, trusts, institutions and other organizations. The original partners who founded the firm in 1932 are still active. Offices are now located in New York and St. Paul, as well as Chicago. In 1949 the Stein Roe & Farnham Fund was launched to meet needs of smaller investors.

Mr. Thielbar, former partner of Naess, Thomas & Thielbar, has been associated with Stein Roe & Farnham since the establishment of its New York office in November, 1951. He is the son of the late Frederick J. Thielbar, Chicago architect.

Mr. Tittle, a graduate of Northwestern University, headed his own firm of John M. Tittle & Co., prior to joining Stein Roe & Farnham in 1951. He entered the investment banking field in 1930, being associated first with Bonbright & Co., and later with Lawrence Stern & Co.

Mr. Woods' and Mr. Elliott's careers parallel each other. Both are graduates of the Harvard Graduate School of Business Administration. Both served in the Navy during World War II. Each joined Stein Roe & Farnham in 1946.

Joseph, Mellen, Miller Formed in Cleveland

CLEVELAND, Ohio — Joseph, Mellen & Miller, Inc. has been formed with offices at Union Commerce Building to engage in a securities business. Officers are Herman B. Joseph, President; Lester I. Miller, Chairman of the Board; Edward J. Mellen and Lester T. Miller, Vice-Presidents; Myron S. Gelbach Jr., Secretary-Treasurer. All were formerly of T. H. Jones & Co.

Problems of Annual Wage Guarantees

By BORIS SHISHKIN*
Director of Research
American Federation of Labor

Mr. Shishkin reviews efforts in U. S. to stabilize employment, along with experience in adopting systems of guaranteed annual wages. Points out a steady continuity of wage income has acquired greater significance in the maintenance of a prosperous and expanding economy. Holds annual wage guarantees may be appropriate in some industries and unsuitable in others, but states "It is notable that resistance to annual wage guarantees seems to be greatest in areas where they seem to be most feasible." Concludes, a guarantee plan which merely divides wages equally over a year to cover periods of unemployment is not a satisfactory one.

Life in the United States, more than in any other country, has been reshaped by the headlong advance of technology. As manual labor has given way to mechanized work, with ever-widening use of mechanical motive power accompanied by steady progress in machine technology, to most Americans wages have become the sole source of livelihood.

Boris Shishkin

Thirteen years of high employment maintained in this country since 1940, during which the problem of finding a job was far less insuperable for most workers than in the previous years, have served to move out of clear focus the vital importance to the worker and to the economy as a whole of a stable wage income.

It is important to recognize that rapid strides made during these years in technology, in production and in the standard of living, have been paced by far-reaching changes in the economic structure of our society. Agriculture, capable of producing more with fewer hands, provides livelihood to fewer people. Of the number unemployed and seeking work 13 years ago, some 6.5 million have been shifted from idleness to active endeavors. The maintenance of armed forces at least 3 million strong has become a normal expectation, in contrast to only 400,000 men under arms in 1940.

*A paper presented by Mr. Shishkin before the annual meeting of the Industrial Relations Research Association, Washington, D. C., Dec. 28, 1953.

According to the Census, between 1940 and the end of 1953 (October) our population increased from 132 million to 160.5 million, a rise of 21.6%. During the same period, our civilian labor force increased from 55.6 to 63.4 million, or 14%. Yet, in the same span of time, the number of employed workers (other than employers, family workers and self-employed) in non-agricultural employment has risen from 32.3 million to 48.1 million, an increase of 49%. To put it another way, while in 1940 workers earning wages and salaries constituted 62% of the civilian labor force, today they represent 76%.[1]

This means that steady continuity of wage income has acquired greater significance than ever before to the maintenance of a prosperous and expanding economy. A nation in which a wage-earner is predominant and in which wage income is the main source of buying power must concern itself with the problem of continuity of wage income.

Wage Income and Employment

In the ten-year period from 1931 through 1940, unemployment has been at the annual average of over 9.9 million, ranging from 7.7 to 12.8 million. Last October it was still at the peacetime low of 1.2 million. Yet there was plenty of evidence that increased unemployment was on the way. Curtailments in part-time, temporary and supplementary jobs have displaced from employment substantial numbers of secondary breadwinners in the family, who have dropped out of the labor force, becoming reliant on the primary breadwinner's income. In the six weeks ending in mid-December, the number of claims for unemployment compensation rose more than 640,000, or over 84%. Many workers have realized that their jobs were not recession-proof and that continuity of their wage income is a very real and immediate problem to them.

1 Nearly one-half of the increase may be attributed to the absorption into employment of wage and salary workers unemployed in 1940. But whether the comparison is made on a gross or net basis, the evidence is clear that the relative importance of wage and salary earners in the economy has been substantially enchanced.

As layoffs hit an increasing number of workers whose jobs are not temporary and who are primary breadwinners in the family, the sudden cut-off from the source of livelihood is likely to bring the entire family on the brink of economic distress. If the layoffs are general in the particular community, with no prospect for other work, loss of income would be catastrophic.

The newly unemployed worker is normally eligible to receive unemployment compensation, after a waiting period, if he meets the increasingly severe eligibility requirements. But the average unemployment benefit amount is less than $23 per week. This is not enough to feed a family of four, to say nothing about rent and other necessities. It will not be long before savings are exhausted, installment purchases are repossessed, the car is sold and the downward spiral ends in privation.

The primary source of continuous wage income is productive employment. A general decline in employment either in an industry or in the economy as whole may be brought about by short-sighted actions of the business community, whether in the form of misguided price, inventory, investment or other policies. But, as a rule, declining business activity and recession unemployment cannot be prevented by an individual firm or a particular employer. Anti-depression measures to be truly effective must involve the whole community and the whole economy. They may be a combination of public and private policies, but they can hardly be effective unless given positive support by the national government.

But even if business activity remains relatively stable and the threat of a recession is averted, a large proportion of our employed workers are subject to seasonal unemployment or intermittent layoffs. A million workers employed in trade establishments in December are likely to be laid off in January. Between a third and one-half of construction workers employed in August may be unemployed in February. Food industries, apparel, coal mining are among the industries with sharpest seasonal fluctuations.[2]

Much has been made of uncanny mobility of the American worker in recent years. Actually worker mobility in the more recent period has been of two kinds. First, there were great movements of workers both in World War II and in the defense period since 1950 to areas of rapidly expanding war or defense employment where there was a promise of steady work at better pay and perhaps a possibility of permanent resettlement in another community. Second, there has been a more or less customary movement of workers to areas of seasonally greater employment opportunities. Union referral to jobs in building trades and in certain metal trades has facilitated this type of movement. There has also been, of course, the pattern of seasonal migration of farm workers and those in highly seasonal agricultural processing.

It is true that with more accessible transportation and in the atmosphere of confidence generated by lasting high employment, our workers have moved around the country more than before. But their mobility has been greatly exaggerated. And those praising the "dynamism" of our labor force usually overlook the dangers of excessive mobility — dangers to the community, to the family, to the worker himself, and even to the employer.

2 For analysis of data to 1950, see W. S. Woytinsky and Associates "Employment and Wages in the U. S."; The Twentieth Century Fund, 1953. pp. 336-341.

Even in the presence of such mobility, limited as it is, and with considerable variation of troughs and peaks of seasonal employment in different industries and trades, opportunities for interchangeable employment are extremely limited. A garment worker or a retail clerk unemployed in January finds little consolation in the fact that January is a busy month for miners. And an older factory worker laid off in June has a hard time competing with youngsters pouring out of schools and pouncing on every job opportunity.

In the past 20 years considerable progress has been made, especially in manufacturing, but also in construction, in reducing seasonal fluctuations in employment. In factory production employment stabilization has been successfully achieved as the result of careful production planning and in some notable instances the product of union-management cooperation. The cement industry, for example, used to gear its production to the flow of orders with the resulting heavy fluctuations in the use of plant capacity and in the number of workers on the payroll. The A. F. of L. cement workers urged year-around production for stock. The management went to work on the problem with the union and a stable employment pattern soon began to emerge.

Much still remains to be done in smoothing out avoidable fluctuations in employment from one season to another. Too often sales and distribution practices, buyers' conventions, piling up of style and model changes and other customs of the trade enhance instability while preventing substantial savings in unit costs which steadier output and employment would make possible.

Stabilization of employment, the first major step toward bringing within the reach of workers steady year-around income, is a problem on which unions are anxious to work closely and cooperatively with management.

Dismissal Pay

A worker while performing the duties assigned to him acquires a vested interest in his job. Under proper management and in the presence of satisfactory labor-management relations, a worker contributes more to the enterprise than the mere performance of prescribed duties. He is a part of the enterprise. Whether his skills are intricate or simple, his are human skills; they are creative in the same sense that all production is creative. His wage does not compensate him for the part of himself that he has contributed in the course of his employment.

Abrupt severance from employment, without any regard to the stake the worker has built up in his job, destroys the sense of mutual responsibility between him and the enterprise. Such abrupt dismissal, without provision for at least a measure of continuity of income after employment has ended, makes industrial society unstable.

A number of unions, in different industries and trades, have negotiated agreements for dismissal or severance, or terminal pay. In some instances dismissal pay plans have been instituted on management's initiative. Dismissal pay, for which the worker becomes eligible after a specified probationary or eligibility period, is usually related to the worker's length of service. Higher seniority workers may thus be entitled to compensation running over a period of several months.

Dismissal compensation is an important means of giving at least a measure fo economic security to the worker, of maintaining his dignity and preserving his skill for proper future use. It should gain wider acceptance in collective bargaining with respect to all types of employment.

Guaranteed Annual Wage in Perspective

The first known annual wage guarantee was union-negotiated. A leading wall paper manufacturer, the National Wallpaper Co., and a union which is now the A. F. of L. Wall Paper Craftsmen negotiated a guarantee of 11 months of employment per year back in 1894. Similar guarantees were later put into effect by several other wall paper manufacturing firms.

This plan's history reflects in part some of the typical experience with guarantees. In common with most later plans, it was modified on several occasions, being liberalized at some times and tightened at others. Along with this adaptability it showed, as did most plans which survived their initial several years, an impressive permanence. It continued in some form until 1930.

There are some 15 known instances of similar plans established before 1921. The Brewery Workers' Union in Philadelphia negotiated a city-wide agreement for wage guarantees shortly after the wallpaper agreement in 1894. An Indianapolis conserve company put a broad annual wage plan in effect in 1917. There were others.

The recession of 1921 gave new impetus to annual wage guarantees. After extended negotiations, the A. F. of L. Ladies' Garment Workers Union won an annual wage guarantee agreement from Cleveland garment manufacturers. The agreement continued in successful operation until a general shutdown brought it to an end in the midst of the great depression of the '30's.

It is interesting to recall that annual wage guarantee was favored by firms noted for paternalism and anti-union bias, coming on the crest of the open-shop drive of the '20's. Of these early and hardy plans was the Procter and Gamble Co. plan inaugurated in 1923 providing for a 48-week guarantee, and a similar plan instituted by the McCormick Co. of Baltimore.

It was with the depression of the 1930's that the evils of employment instability came into greatest focus. Methods of regularizing production began to receive greater emphasis.

The broadened attention directed to employment stabilization was highlighted by the appearance of the late A. F. of L. President William Green before a 1934 hearing on an NRA code of fair competition of the auto industry, at which he called for the introduction of a guaranteed annual wage. Mr. Green also urged a drastic revision in the industry's notorious practice of concentrating new model promotion, production, and employment in one small part of the year, greatly enhancing instability.

Although there was a great deal of progress in eliminating some of the most unstable employment practices, few employers went so far as to put employment on a guaranteed basis and unions generally were not in a position to make much headway with guarantee demands.

Prior to the 1930's, the establishment of annual wage guarantees was discussed and, in some instances, adopted against the background of almost complete absence of affirmative action by the community through legislation to reduce the hazard of eco-

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The Confused Conceptions Of the Guaranteed Wage

By EMERSON P. SCHMIDT*
Director of Economic Research
Chamber of Commerce of the U. S.

Dr. Schmidt, in stating though employers prefer steady jobs for workers, a dynamic economy is subject to constant change, and therefore we have conflict between security and economic progress, points out prevailing confusion of concepts as to what constitutes a guaranteed wage. Says guaranteed plans vary widely, and because of employers' difficulties with guaranteed wage plans and inability of unions to get legislation to uphold their demands, have induced some labor leaders to press for "guaranteed wages" as form of supplementary unemployment benefits. Reviews union demands for wage guarantees, and concludes, if a guaranteed wage is to be a supplement to unemployment compensation, legal administrative barriers and duplications should be removed.

If what follows appears to be on the critical side, it should be kept in mind that my instructions were to deal with questions and issues which are of concern to the employer. Employers prefer to operate on a year-round basis and provide steady jobs. The human resources of an organization are the most valued resources. Unemployment of men and machines is wasteful. Continuous productive employment at good wages benefits the worker, the employer, and all members of the community.


Emerson P. Schmidt

The typical worker has no substantial source of income other than his pay envelope. His wellbeing and that of his family are dependent upon a steady flow of paychecks.

A dynamic free economy is subject to constant change. To some extent there is a conflict between security and economic progress. Interruptions of employment may be due to the gains of one employer at the expense of his competitors, to shifts in free consumer choice, waves of optimism and pessimism, unwise or inadequate contracyclical monetary and fiscal policy, the rhythm of the seasons, new inventions and technological changes, strikes, war, defense mobilization and other factors. There are many types or causes of unemployment.

Hardships from unpreventable unemployment may be mitigated through personal thrift, unemployment compensation and public relief. But these are not adequate substitutes for productive steady employment at satisfactory wages. As a further forward step, what merit is there in the idea of the private guarantee of wages?

Employees covered by unemployment compensation (UC) have a wage guarantee. This guarantee typically runs for about five to six months at a weekly benefit of 30 to 50% of regular full-time wages. State legislatures have from time to time expanded coverage and raised the weekly benefit and duration of benefits.

A few employers have experimented with private guaranteed wages. Some of them report good results. But the movement has not spread widely. It has been confined largely to certain service and nondurable goods industries.

The difficulties experienced by employers in adopting full-time annual guaranteed wage or work plans, and the unions' difficulties in getting state legislatures to meet fully their demands, have induced some labor leaders to press for "guaranteed wages" in the form of supplementary private unemployment benefits to be gained through collective bargaining. This raises important economic, legal and administrative questions.

Evaluation Without Definition?

Many of the endless arguments about the guaranteed wage flow from our inability to define the term precisely. Can we evaluate that which is indefinable? Is work or income guaranteed? How much? To whom? Under what circumstances? What are the exceptions? Is the guarantee suspended under acts of God, fire, strikes among suppliers or transportation agencies, boycotts, war and defense mobilization requirements, etc.?

Guaranteed plans and programs vary widely. Different industries, companies and plants, furthermore, are subjected to a wide range of forces affecting the degree of stability and instability. To make matters still more confusing, the power of management to overcome or offset employment or market demand instability may vary between zero and 100%.

All of the foregoing makes discussion of the guaranteed wage an exercise in disputatious forensics, often unpleasant. A CIO official recently said, "I wish I knew what the CIO plan is." This confusion and frustration extends far beyond the CIO.

In fact, recent pronouncements from the CIO, from its officials, from its member unions and from their officials, have moved in all directions simultaneously—in spite of the interlocking directorates among them.

Halos Vaporized

Even more confusing are the precipitate reversals of field among them. For years members of the Industrial Relations Research Association have been studying and publicly praising in oral and written word the economic statesmanship of Hormel, Nunn-Bush, and Procter and Gamble. The CIO often led, or joined in, the praise. These plans, the CIO and many I. R. R. A. members were marching together arm in arm, so to speak, building security and a better world.

Now, with inadequate notice the CIO and particularly the UAW makes a 180 degree turn. "None of the existing guaranteed wage plans," we are told, "meet the needs of their members." Every plan contains one or more features which are "totally unacceptable." Furthermore, "many were company-initiated in nonunion plants," an onerous, burdensome liability which marks them for death and destruction![1]

The CIO is still circulating a film strip explaining the advantages of the Hormel Plan and, without qualification endorsing it. Unionists are encouraged to promote the idea. Many words were written in praise of the pacesetting guarantee plans, words that now must be rewritten. All this may put some exponents of these plans in an embarrassed and frustrated position. Should the halos surrounding these plans and this economic statesmanship be allowed so suddenly, without adequate notice, to vaporize into nothingness?

These plans were successful partly because under them management and workers cooperated in making them work. Under the Hormel Plan, for example, weekly earnings were made more nearly equal and guaranteed for a year, by relinquishing overtime in peak weeks. Now, UAW says, "We will have none of this." Under Hormel's Plan, Procter and Gamble's and others success was achieved by shifting workers from slack to busy departments, etc. Some plans were made workable by limits on the length of the guarantee or coverage extended only to regular workers or those with a year or more of seniority. But now these features, which made the plans workable, are roundly denounced.

Waves of Guaranteed Wage Demands

For nearly 20 years, successive guaranteed wage demands have been made. Every new major union demand for the guaranteed wage has set off a spate of articles, pamphlets, speeches, conferences and panels like this one here today. For the most part, this outpouring has been monotonously repetitious and barren of new ideas. The Government report, "Guaranteed Wages," commonly called the Latimer Report, growing out of the steel union demands in 1943 to the War Labor Board, was published in 1947, and did come up with several new ideas.[2] It established, perhaps for a long time, the practical difficulty or, indeed, the impossibility of the traditional guaranteed annual wage in many businesses and industries. Therefore, this report developed a new approach—the idea of supplementing the legislative guaranteed wage (UC) with the private guaranteed wage.

Employers had experimented with guaranteed wage plans for 50 years. Yet Latimer was able to report only a few plans covering some 61,000 workers. Even so, his count included numerous plans which covered less than 1% of the workers in a plant or possibly just one worker in a plant! This was accomplished by defining the guaranteed wage plan as one "under which an employer guarantees to all or a defined unit or group of his employees a wage or employment for at least three months." The breath of this def-

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*An address by Mr. Schmidt before the American Economic Association and Industrial Relations Research Association, Washington, D. C., Dec. 28, 1953.

1 The extreme positions are found in "Progress Report of Guaranteed Annual Wage Preparations," UAW-CIO, Dec. 6-7, 1953. Whether this report and particularly its class-conscious vitriolic language represents the views of union members may be doubted by some. Businessmen are pictured in terms of Marxian analysis. They are quoted out of context and made to be the enemy of society and the workingman. Should this document fall into the hand of *The Daily Worker*, Vishinsky or the Kremlin, it would enable the Communists to "prove" through official union spokesmen the things which Communists would like to believe about the American employer and our economic system, just as they were able to quote at the ILO and other international meetings our highest government and union officials' statements that slavery existed in the United States under the "slave-labor" provisions of the Taft-Hartley Act.

2 "Guaranteed Wages," Report to the President by the Advisory Board, Office of War Mobilization and Reconversion, U. S. Government Printing Office, Washington, 25, D. C. $2.00, January, 1947, commonly called the Latimer report, which is no doubt more accurate.

Advice to GI Wives

By ROGER W. BABSON

Mr. Babson gives advice to wives of service men regarding new jobs, and says opportunities exist for starting a small business which may not exist a year or more hence. Urges returning soldiers to buy land near a parking lot in city or, if they contemplate land for farming, to buy near an agricultural experiment station. Recommends purchase of merchandise and bank stocks.

Let me start 1954 by writing to the many servicemen's wives. So many are wondering what their husbands are to do after discharge.


Roger W. Babson

Certainly, don't wait until your man gets back before you and he discuss the future. Why not devote to this subject your very next letter to him enclosing this message from me.

If your husband had a job when he was drafted, the chances are that his former employer will be proud to take him back. I wonder, however, if your husband will be content to be a mere cog in a big wheel again after he returns? Men differ. Some are born to work for others and will be happier doing so; while some men will do better in a little business by themselves. Some prefer large cities; while others like small cities and towns. Don't try to make your soldier boy over into someone else. Try to find out what he likes best, for what he is best fitted—and then help him make good.

Opportunities Everywhere

Opportunities exist today which may not exist a year or more hence. I see them everywhere—vacant stores, closed real estate offices, rundown garages, vacant gas stations, etc. As an illustration, consider the closed automobile sales agencies. To buy one of these now, properly located, **where a family can live on the property**, may be like finding money.

Small stores and lunchrooms, **where the owner can live upstairs or adjoining**, are now for sale cheap. They will be in demand again some day. No one will get rich in such a place; but it gives independence and assures work to all the family. The same applies to scores of little businesses, from barber shops to repair shops of all kinds. There will always be good opportunities for anyone who knows more about any one thing than anyone else in his neighborhood.

I think that a piece of land will appeal to many returning soldiers. Incidentally, the best buy in every community is that adjoining or near a parking lot. If you and your husband came from a farm and want to go back to the same home farm, this is wonderful. However, unless you know farming, you had better be content with an acre of good land located near schools, stores, and a church. Latest scientific agricultural experiments indicate that you can feed your family on a very small plot, provided your husband has some "job on the side" to get spending money. Have you read my recent column on "New Inventions and New Discoveries"? **Those contemplating land for farming should buy adjoining a State or U. S. Agricultural Experiment Station.**

Buy Merchandise and Bank Stocks

In almost every community there are several "chain stores." They may be grocery chains, or variety chains, such as the "5 cents to $5" kind. Ask your local banker to tell you which of these in your town has its stock listed on the New York Stock Exchange. Buy a few shares. This might even help your husband in getting a job with one of these growing merchandising concerns.

Perhaps before buying a chain store stock, it would be well to buy a few shares of stock in your local bank. Banks are doing well right now, and it may help your husband get started right to have a few shares of local bank stock and to know the men who run the bank.

Soldiers who have been overseas are coming home with better ideas than when they left. Many are realizing that the only things worthwhile for a family or a nation are: (1) good land; (2) good babies; (3) good education; and (4) good character.

I trust that fathers and mothers, as well as wives and sweethearts, will encourage these sensible ideas. Parents, especially, should help their young people get started right when they return. But begin to plan for them NOW; remember, "shrouds don't have pockets."

Prices of High Grade Stocks Aided by Institutional Demand

By JOHN M. TEMPLETON
President, Templeton, Dobbrow & Vance, Inc.
New York City

Investment analyst, in pointing out premium prices are being paid for stock issues that are favored as trustee investments, calls attention to the growing demand for these shares by insurance companies, pension funds and other institutional investors. Says another element in the strength of these shares is fear of a general business recession. Holds the unusual wide disparity between good quality stocks and more speculative issues may continue, because most new money flowing into stocks comes from institutional investors. Concludes best long-run results are likely to come from searching out stocks of improving quality or stocks which are real bargains. Lists 100 common stock price movements.

Some stocks are more stable in price than others. Stocks which have had a long record of stability in prices, earnings and dividends are referred to as high-quality stocks. These are usually the shares of large and famous companies operating in industries of a non-cyclical nature.

John M. Templeton

Between Oct. 17, 1951 and Dec. 2, 1953 there has been a remarkable divergence in the price trends of high-quality stocks compared with the general list of stocks. This is unusual, and deserves careful study. In the long run, shares of small and young companies and shares of obscure companies have fared as well as, and perhaps better than, top-quality stocks. Accordingly, the rising prices for high-quality stocks coincident with declining prices for other stocks generally in the last 25 months is noteworthy.

To be specific, Standard & Poor's Index of High-Grade Stocks increased 14.3%, whereas Standard & Poor's Index of Low-Priced Stocks decreased 33.7% during the period referred to above. The Dow-Jones Index of 30 industrial stocks, which are mostly high-grade stocks of large corporations, increased 3.5%, whereas the general level of all stocks on the New York Stock Exchange decreased 11.4%. For the purpose of sampling how much the general list of stocks declined, we have studied the record of the first 100 common stocks, chosen alphabetically, which are listed on the exchange. This list, which naturally includes some high quality, some medium quality and some low quality stocks, is shown below. It shows that in this short space of time there have been wide variations with increases ranging as high as 52% and declines as great as 63%. Thirty of these stocks increased, whereas 70 decreased in price.

This period of about 25 months has been unusual, and perhaps unique in the history of American stock prices. The Dow-Jones Industrial Stock Average has fared 14.9% better than a general list of 100 stocks chosen alphabetically. The Index of High-Grade Stocks has fared better than the Index of Low-Priced Stocks by a full 48%.

By examining the causes for this divergence, we may find clues as to how long the divergence might continue. One cause has been the institutionalization of investments and another cause has been the widespread expectation of a recession in general business.

By institutionalization we mean that a larger than usual proportion of the total new money available for investment is coming in through insurance companies, trust funds, pension funds, profit-sharing funds, mutual investment funds and various other institutions.

One of the earliest influences of this nature was the large accumulation of investment funds in the hands of life insurance companies, banks and similar institutions. Until recent years such funds were invested only in mortgages, bonds and preferred stocks. Therefore the funds available for the purchase of bonds have been large, while at the same time the funds from other sources available for common stocks have been small. This situation has been one of the causes for the change in the ratio between bond yields and common stock yields. The excellent studies of the Cowles Commission indicate that in the 68 years from 1870 to 1938 the yields of common stocks averaged 5.0% whereas the average return was 4.2% on high grade bonds and 4.6% on prime commercial paper for this same period. Now high grade bonds yield 3.1% and common stocks 6.0%. The ratio of stock yields to bond yields has increased from 119% for the 68 years ending with 1938 to 193% at present. In fact, during these latest 15 years common stock yields have been very frequently more than twice as high as the yields on high grade bonds.

In recent years an ever increasing amount of institutional money has become available for the purchase of common stocks. Life insurance companies have been granted permission to invest part of their assets in common stocks. More recently the same permission has been granted to savings banks. At long last the laws of New York have been changed to permit trust funds (where the trust agreement is silent on the subject of investment media) to be invested partly in common stocks; and many other states have followed suit. Mutual investment funds, sometimes called investment trusts, have been investing in common stocks for more than 30 years but the quantity of money coming in through this source is now vastly greater. Colleges and other public endowment funds are shifting gradually into a higher proportion of common stocks.

Perhaps the greatest influence is the rapid rise of pension funds and profit sharing funds in the last two years. Over a billion dollars a year is now flowing into these funds and the rate is increasing. Only a part of such funds is used to buy common stocks but still the total for this purpose is great.

The men who manage these institutional funds are naturally cautious. When selecting common stocks, practically all of the funds flow into a small list of high grade stocks of large and famous corporations. This has been the outstanding influence on stock prices recently. Because the supply of this kind of stocks is limited, the prices have been bid up at the very time when the prices of medium grade and risky stocks have shown a declining trend.

Effects of the Depression Fear

The divergence in trends for the different classes of stocks has been augmented, especially during the last two years, by the fear of a general business recession. The opinion has been widespread among investment analysts that a mild depression would begin soon; and some have thought that it would be more than mild. Therefore these security analysts and many of the larger investors whom they influence have been shifting funds into the shares of companies whose earnings are expected to be stable and out of the shares of companies whose earnings might suffer temporarily during a general business recession. To a considerable extent a recession has already been discounted in the stock market. Shares of many small companies and companies operating in cyclical industries are now selling at prices which are low not only in relation to prosperity earnings but also in relation to the average earnings which may be expected during the next full business cycle.

The fear of a business depression has endured for a long while; but by its nature this influence can be regarded as temporary. If the expected recession does not occur, the fear may decrease; and if it does occur, investors are likely then to look ahead in anticipation of recovery. It is the nature of humanity that general fears and anticipations are constantly changing. On the other hand, there is no end in sight for the trend toward greater institutionalization of investments. Not only will the investments already made through institutions remain, but also there is likely to be a great increase especially in the field of profit-sharing funds and pension funds.

It has always been normal for stocks with a long record of stable earnings to sell higher in relation to earnings than is the case with the general run of stocks. The relation between price and earnings is called the price-earnings ratio; and this is one of the most important elements in the study of stocks. The price-earnings ratio for high grade stocks is normally higher than the price-earnings ratio for low grade stocks. Because of the factors discussed above, this spread is greater now than formerly. Because the trend toward institutionalization will continue, the spread may continue to be unusually wide by past standards.

Will the Spread Hold?

The question of whether the spread will remain wide is important for investors; but even more important is the question of whether the spread will grow still wider. A high grade stock like Union Carbide is now selling for a little more than 20 times average earnings for the last five years, whereas a medium grade stock like U. S. Plywood is now selling for less than seven times average earnings for those years. Some low grade stocks are selling for only three times earnings. Will this disparity increase? In some ways a divergence like this tends to be self correcting. Naturally there is some limit to how great the disparity can get.

The limited quantity of top grade stocks may encourage even trustees gradually to look further afield. Furthermore, those who do not have the position of trustees, when they see the great disparity now existing, may begin to sell their top grade stocks to the trustees and use the proceeds for buying better bargains and better yields among medium grade stocks. It is enlightening to notice that the disparity showed up first in the difference between bond yields and stock yields. After a while this led to a general trend for institutions and trustees to include a few high grade common stocks in their investment funds

One Hundred Common Stocks Alphabetically

Stock—	High 1951-53	1953 Low Price	Price Oct. 17 1951	Price Dec. 2 1953	% Change Oct. 17, 1951 to Dec. 2, 1953
Abbott Laboratories	64½	39⅛	57½	45¼	—21
ACF Brill	8⅝	3⅞	7	5¼	—25
Acme Steel	33¾	20⅛	31⅞	22	—21
Adams Express	35⅜	25⅛	33¼	27⅝	—17
Adams-Millis Corp.	43½	24¾	41	24⅞	—39
Addressograph-Multigraph	64	48	62½	52	—17
Admiral	*27⅜	19⅜	*20⅝	22	+ 7
Affiliated Gas Equipment	11¾	7⅜	9¼	7⅞	—15
Air Reduction	31½	22¼	28¼	23⅜	—17
Alaska-Juneau	3⅞	2	3¼	2⅛	—32
Aldens, Inc.	27½	17	22¾	19½	—14
Alleghany Corp.	5⅜	3	2⅜	3⅝	+52
Allegheny Ludlum Steel	52⅛	25⅛	50	31⅝	—37
Allen Industries, Inc.	11	8¼	10	9	—10
Allied Chemical & Dye	78⅜	62	75½	74¼	— 2
Allied Kid Co.	23⅞	17½	21⅞	17¾	—19
Allied Mills	37	24⅝	36¼	27	—26
Allied Stores	48½	35⅛	42	38½	— 8
Allis-Chalmers	61⅝	41⅛	51⅜	44⅞	—13
Alpha Portland Cement	52¼	40	38⅝	42½	+10
Aluminium Ltd.	*56¾	41¾	*49¼	49⅞	+ 1
Aluminum Company	56¼	42½	*42⅝	55⅝	+31
Amalgamated Leather	5½	1⅞	3½	1⅞	—44
Amalgamated Sugar	19½	16¼	17¼	19⅜	+12
Amerada	235	148½	155	169⅞	+ 9
American Agric. Chemical	75½	55¾	63	59¾	— 5
American Airlines	17¼	11½	15⅜	12⅜	—20
American Bank Note	20⅜	14¾	19½	15¼	—22
American Bosch Corp.	17½	6¼	15¼	9⅜	—38
American Brake Shoe	44⅛	34⅝	42⅛	37¼	—11
American Cable & Radio	7⅝	3¾	6¼	5	—20
American Can	40	31⅝	*29⅝	39¾	+34
American Car & Foundry	49¾	30½	37½	35⅛	— 6
American Chain & Cable	34¼	26	32⅞	29⅛	—11
American Chicle	50⅞	43¾	42¼	49	+16
American Colortype	22¾	16⅛	19⅞	22⅝	+14
American Crystal Sugar	28¾	21	23	22	— 4
American Cyanamid	*65¾	41⅝	*57½	49¾	—13
American Distilling	58¾	28⅝	47½	32⅝	—31
American Encaustic Tiling	8⅜	6⅞	6½	8	+23
American European Securities	33½	26	29⅛	28¾	— 1
American Export Lines	22¼	12½	17¼	13½	—22
American Gas & Electric	67⅜	27⅜	59¾	32¾	—45
American Hawaiian Steamship	67	48	46⅝	59½	+27
American Hide & Leather	9	3	6⅜	3⅛	—51
American Home Prod.	47⅛	36⅛	37	46¼	+25
American Ice	8¾	6⅞	6⅞	8⅜	+22
American International	23½	16½	21¼	17¾	—14
American Investment Co.	25¼	21½	19½	23	+18
American Locomotive	24¼	12¾	20¾	13⅞	—33
American Machine & Fdry.	24⅞	19⅛	18¾	23	+23
American Machine & Metals	19⅜	15¾	17⅛	19	+11
American Metal	*32⅜	18⅞	*29¼	20½	—30
American Metal Products	19⅜	13¾	14½	16	+10
American Molasses	11	7	8¾	7½	—14
American Natural Gas	41¼	31¼	34¼	40¾	+19
American News	37	21⅜	35¼	21⅞	—38
American Radiator & SS	17⅛	12⅜	16⅝	13⅝	—18
American Safety Razor	10¼	6	8¼	7	—15
American Seating	*24⅞	16¼	*24⅛	23⅞	— 1
American Shipbuilding	65½	42½	48	43	—10
American Smelting & Rfg.	53	25½	*49	30¼	—38
American Snuff	42¾	37	37¾	38	+ 1
American Steel Foundries	40	25⅝	38	28⅜	—26
American Stores	47¾	38	35⅛	47¼	+35
American Stove (Magic Chef)	13¾	6½	11⅛	7⅛	—36
American Sugar Refining	73¾	49	69	50⅜	—27
American Sumatra Tobacco	23⅛	12	15⅞	14¼	—10
American Tel. & Tel.	163⅛	152⅛	158¾	157¼	— 1
American Tobacco	77⅝	65	63½	65⅝	+ 3
American Viscose	78	35⅛	67½	37½	—44
American Water Works	10⅞	9	8⅞	9⅞	+11
American Woolen	46⅞	13⅜	42¼	15⅝	—63
American Zinc Lead & Smelting	29⅜	11¾	27⅝	13⅝	—51
Anaconda Copper	55¾	29⅝	50¼	31½	—37
Anaconda Wire & Cable	57	43¼	45½	48¾	+ 7
Anchor Hocking Glass	34⅜	25⅛	31	30⅛	— 3
Anderson Clayton	64	32	58	32⅛	—45
Anderson Prichard Oil	57¾	40¾	48⅜	45¼	— 7
Andes Copper	27⅞	8¾	18½	9⅜	—49
A. P. W. Products	8½	2⅝	6⅝	3½	—47
Archer-Daniels-Midland	60	30	55½	34¼	—38
Armco Steel	51¾	30⅝	42⅝	34¼	—20
Armour	12⅞	8⅛	11¼	9⅜	—16
Armstrong Cork	59¾	48¾	55	56¼	+ 2
Arnold Constable	19⅞	16½	16¾	17⅛	+ 2
Artloom Carpet	13¼	5¾	10	5⅞	—41
Arvin Industries	32¾	25½	27⅝	26¾	— 3
Ashland Oil & Refining	23⅝	11⅛	*18½	11⅝	—37
Associated Dry Goods	24⅜	18⅛	22½	19	—15
Associated Investment	65¼	25½	58⅞	31¼	—47
Atchison, Topeka & Santa Fe	104¾	86	77½	98⅜	+27
Atlantic City Electric	30½	25⅜	23⅛	30	+30
Atlantic Coast Line RR.	123¾	83⅝	76	92½	+22
Atlantic Gulf & West Indies	114	49	99¾	57½	—42
Atlantic Refining	36¼	25⅝	*29¼	28⅞	— 1
Atlas Corp.	30⅜	28½	25⅞	29	+12
Atlas Powder	44½	31¼	39¾	34⅛	—14
Atlas Tack	31	17	28¼	17⅛	—39
Austin, Nichols	10⅞	5⅛	8⅛	5¾	—29
Average	41.8	27.6			—11.4

*Adjusted for split or stock dividend over 10%.

rather than only bonds. It is natural and proper for men acting as fiduciaries to be cautious; and so far they have been willing to purchase only top grade common stocks. However, there may well develop a gradual trend toward seeking much greater values and greater yields than can be found among most top grade stocks.

Another situation which deserves close study is the fact that certain stocks previously regarded as medium may gradually come to be regarded as top grade. For example, in the 10 years 1935-44 Minnesota Mining was regarded as medium grade and the price-earnings ratio averaged only 11. Now this stock is regarded by many as top grade and its price is over 23 times the highest earnings ever reported. To use Wall Street slang, there are a good many red chips now which may become blue chips within a few years.

Of course, under certain circumstances the prices of low grade stocks increase much faster than the prices of high grade stocks, sometimes many times as fast. For example, Norfolk & Western, which was regarded as a top grade stock in 1941, sold as low as 44⅞ in that year and is now available at 40⅞; whereas the price of St. Louis-Southwestern, a low grade stock, increased from 1½ at that time to 222 at present. The price of Missouri Pacific preferred, another low grade stock, increased from ⅛ to 40⅜. Conditions which lead to the popularity of low grade stocks will occur again some time; but this does not appear probable in the next few years.

Finally, it is worth noting that a really long-term investor will fare better if he selects stocks with low price-earnings ratios, if all other factors are equal. For example, a stock purchased now for 20 times average future earnings will accumulate during the next ten years $500 for the benefit of the owner (either in the form of dividends or increased net worth) for each $1,000 invested; whereas a stock purchased now at seven times future average earnings will accumulate in the next ten years $1,429 for the benefit of the owner. If you pay 20 times earnings for the shares of a company with a steady earning power, you may actually be taking more risk than if you pay only seven times earnings for the shares of a company whose earning power is subject to fluctuations. To get the maximum combination of safety, income and capital growth, investors should seek to buy stocks at low prices in relation to normal earning power.

Conclusions

It is normal for high grade stocks to sell for higher prices in relation to earnings than medium grade stocks. The disparity has increased remarkably in the last 25 months. The unusually wide disparity may continue because most new money is flowing into stocks by way of institutions. For several reasons the disparity is self-limiting. Investors should favor good quality stocks; but those investors who are not trustees should be willing to pay only a fair and not an excessive premium for good quality stocks. Best results in the long run are likely to come from searching out stocks of improving quality and stocks which are real bargains.

Newhard, Cook Adds

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Eugene M. Reese has been added to the staff of Newhard, Cook & Co., Fourth & Olive Streets, members of the New York and Midwest Stock Exchanges.

Information Meeting Held on Impending Mackinac Bridge Issue

Public offering of $79,800,000 4% bonds set for Jan. 14

An Information Meeting of underwriters who have been invited to participate in the pending public offering of $79,800,000 Mackinac Bridge Authority 4% bridge revenue bonds, series A, due Jan. 1, 1994, was held Wednesday at the Bankers Club, 120 Broadway, New York City. The offering is expected to be made about January 14.

The meeting had been called by Union Securities Corp., which together with Allen & Co., A. C. Allyn and Co., Inc., and Stifel, Nicolaus & Co., Inc. were awarded the bonds by the Bridge Authority on Dec. 17 and which will co-manage the nationwide offering group. The co-managers also were awarded on Dec. 17 an issue of $20,000,000 Mackinac Bridge Authority series B, 5¼% bridge revenue bonds due Jan. 1, 1994, but no public offering of these bonds is planned at this time.

Present at the Information Meeting, in addition to representatives of the group co-managers, were members of the State of Michigan Mackinac Bridge Authority and representatives of the engineering firms of D. B. Steinman and Coverdale & Colpitts and of the law firms of Mitchell & Pershing, and Miller, Canfield, Paddock & Stone.

Firm Name Now Wainwright & Ramsey

Wainwright, Ramsey & Lancaster, 70 Pine Street, New York City, consultants on municipal finance announce that, effective Jan. 1, 1954, the organization's name will be changed to Wainwright & Ramsey, Inc. The officers will be J. Basil Ramsey, Chairman; Townsend Wainwright, President; Lincoln E. Caffall, Vice-President.

A. Wiesenberger Co. Admits Three Partners

Arthur Wiesenberger & Company, 61 Broadway, New York City, members of the New York Stock Exchange, announce that effective Jan. 2, Alvin Ruml, Arthur V. Tomaselli, and Arthur J. C. Underhill were admitted to general partnership in the firm.

With Eastman, Dillon Co.

(Special to The Financial Chronicle)

CHICAGO, Ill. — Charles D. Turgrimson has become associated with Eastman, Dillon & Co., 135 South La Salle Street. He was formerly with Smith Barney & Co.

A Forecast of the 1954 Agricultural Situation

By ORIS V. WELLS*
Administrator, Agricultural Marketing Service, U. S. Department of Agriculture

After prefacing his remarks by pointing out the limitations and difficulties in forecasting agricultural situation, Mr. Wells predicts both business and agriculture conditions in general in 1954 will follow pretty much the same pattern which prevailed in the Fall of 1953.

The opening lines of the leading statement used at the recent Annual Agricultural Outlook Conference (Oct. 26) ran as follows:

Oris V. Wells

"No marked change in the domestic demand for food and other agricultural products appears likely in 1954 as compared with the current year. Also, foreign takings of United States farm products, while sharply reduced in the 1952-53 season from other recent years, appear to be at a level sustainable over the next year or so. Supplies of most farm products are expected to continue large in 1954. Carryover stocks may increase further by the end of the current marketing year, but a large part will be held by the government. Acreage restrictions are likely to bring smaller wheat and cotton crops in 1954 and price support programs will continue to cushion the impact of large supplies on farm prices. With prospective conditions of demand and supply for farm products in 1954 approximately the same as in 1953, the average of prices received by farmers may hold near current levels. With cost rates to farmers stabilizing, the cost-price squeeze in agriculture is not likely to be intensified significantly in 1954."

Any set of forecasts or estimates of the future situation such as these should always of course be prefaced by a statement as to not only why such forecasts are made but also the basis for arriving at the conclusions, with appropriate consideration of alternative developments which should be watched for should certain factors change. In fact, I can say to this audience that one of the chief reasons for our doing outlook or forecasting work within the U. S. Department of Agriculture has been hat it offers one of the best ways of discussing with farmers and others the factors affecting prices, production, markets, farm returns, etc.—that is, that it is an excellent device for developing interest and carrying forward educational work in the economic field.

We always endeavor to get our farm audiences to realize and understand, what I am sure this audience already understands, several ideas relating to such forecasts or analyses of our economic climate. In the briefest form, these are:

(1) Any discussion of the economic future must necessarily proceed on the basis of probabilities. American farmers know better than anyone else as to how uncertain the future can be. At the same time, however, it is a fact that farm plans must be worked out in advance — sometimes several months, sometimes a year or two, sometimes several years. Farmers and businessmen handling agricultural products, Congressmen, government officials, and others are constantly faced with the necessity of endeavoring to decide what the most probable course of events may be. Any estimate of future probabilities, then, means we should decide on and frankly state certain assumptions as to what we believe most probable.

In considering the agricultural outlook for 1954, there are two major assumptions which we know could vary materially during the coming year and which we should understand.

First, we assume normal weather, knowing always that varying weather conditions could materially affect yields and returns to a considerable extent not only as between farms but also over considerable areas.

Second, we have to come to some conclusion as to how cold or how hot the foreign situation may be. Here it seems to me we have but one choice—that is, to assume we are moving toward a gradual easing of world tensions but that nevertheless the defense program will go forward during the coming year about as now scheduled, which means that although there may be some reduction in defense expenditures, such reductions will be gradual.

(2) Anyone endeavoring to analyze economic trends must always guard against being overly-influenced by the immediate short-run situation. The statements with which I started were worked out about mid-October and those of us at Agriculture have so far seen no reason why we should change. I say this, knowing full well that there are a whole series of short-term developments that are going to be called to my attention—that the Federal Reserve Board's index of industrial production is down about 5% from its recent peak, that businessmen are increasingly cautious about inventories, and that current indications are that automobile sales, business investment, defense expenditures, are all likely to be somewhat smaller in 1954 than in 1953.

However, just as we expected some down-drift in farm prices and a return to a more normal condition on the agricultural front as the effects of World War II and the succeeding world food crisis wore off, so have we been expecting some leveling off in business conditions, with increasing competition as between individual businesses and a return to a condition where sales volume depended upon ability to offer desirable goods at prices which people were willing to pay.

Anyone wanting to take the optimistic view can also find a number of short-run factors, actual and prospective, which also support that view. It appears that personal income and corporation taxes are going to be reduced. We do have high-level employment and a considerable volume of consumer savings. State and local spending for roads, schools, and other forms of public investment, are likely to show some increase in 1954, etc.

Adding it all up, those of us responsible for this kind of work in the Bureau of Agricultural Economics last October came to the conclusion that the flow of consumer disposable income in the Fall of 1954 would probably not be greatly different from the Fall of 1953. This means a leveling off rather than a downturn in business. It means softness in some individual situations and as I have already indicated, it also means that there is a good chance that consumers, including farmers, will be able to buy the same bill of goods at somewhat lower prices or at least better goods at the same prices.

Although we realize that acreage allotments and marketing quotas can mean some reduction in cash sales and farm income in the cotton and wheat areas, we also think that the cost-price squeeze on farmers and the kind of business situation which we see ahead will result in some reduction in both farm production and farm family living costs in 1954.

(3) Finally, in endeavoring to discuss farm prices, farm income, and farm commodity situations in general terms, it is always necessary to remember that each farmer or each business handling farm products must interpret these general trends in terms of his own situation and the alternatives which he may practically adopt. The fact still remains that commercial farming or the management of most businesses handling farm products calls for constant application of the most ingenious and difficult business - management skills, that each farmer or businessman can in the end make better decisions as to their own operations than can anyone else. I well realize this and despite the fact that I think economic analysis and forecasting have been and can be very helpful to farmers and businessmen, my favorite title when discussing outlook materials still is "Every Man His Own Forecaster."

*A summary of talk by Mr. Wells at the Luncheon Meeting of the American Statistical Association, Washington, D. C., Dec. 28, 1953.

Eberstadt Co. Elects Williams & Willett

The election of Francis S. Williams as a Director and of Edward F. Willett as a Vice-President of F. Eberstadt & Co., Inc.,

Francis S. Williams Edward F. Willett

39 Broadway, New York City, was announced by Ferdinand Eberstadt, Chairman and President.

Mr. Williams is a Vice-President of the Eberstadt firm, which he joined in 1932. He is also Executive Vice-President and a Director of Chemical Fund, Inc.

Mr. Willett, a well-known Economist and Author, was Secretary, Treasurer and a Director of the firm from 1931 to 1934. He retired from the organization in 1934 to study for his doctorate in economics at Princeton University. Immediately prior to resuming his association with the firm last August he served as Associate Professor of Economics at Smith College. In 1946, he was Research Assistant to the then Navy Secretary James Forrestal and two years later was Staff Consultant on the Hoover Commission.

Arthurs Lestrange Admits Partners

PITTSBURGH, Pa. — Arthurs, Lestrange & Co., Frick Building, members of the Midwest Stock Exchange, have admitted James S. O'Neil and Charles G. Peelor to partnership.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The board of directors of the **Federal Reserve Bank of New York** has selected Henry C. Alexander, President of **J. P. Morgan & Co. Incorporated, New York, N. Y.**, to serve during the year 1954 as the member of the Federal Advisory Council from the Second Federal Reserve District.

* * *

At a board of directors meeting of **The Corn Exchange Bank Trust Company, New York**, Robert I. Lowell, Manager of the Bank's Commodore Branch, was appointed Assistant Vice-President.

CORN EXCHANGE BANK TRUST CO. NEW YORK

	Dec. 31,'53	Sept. 30,'53
	$	$
Total resources	830,021,173	796,766,585
Deposits	774,712,761	741,704,070
Cash and due from banks	236,598,915	216,653,700
U. S. Govt. security holdings	334,146,182	339,710,120
Loans & discounts	215,578,840	191,367,359
Undivided profits	6,388,443	6,317,236

* * *

Francis S. Brancroft, President of the **Excelsior Savings Bank, New York**, announced on Dec. 31 that Cordt G. Rose, formerly Vice-President and Secretary, was named Vice-President; E. Ames Bleda, formerly Assistant Secretary, was elected Secretary, and Martin J. Rudolph, formerly Assistant Secretary, was elected Assistant Comptroller. William Tabert and William M. Ryan were made Assistant Secretaries, and Edward T. Hickey Assistant Auditor.

* * *

THE NATIONAL CITY BANK OF NEW YORK

	Dec. 31, '53	Sept. 30, '53
	$	$
Total resources	6,049,021,071	5,897,819,619
Deposits	5,538,214,433	5,388,818,951
Cash and due from banks	1,484,190,123	1,384,298,290
U. S. Govt. security holdgs.	1,539,876,061	1,566,920,094
Loans & discts.	2,368,582,461	2,269,441.871
Undivid. profits	72,966,329	71,458,823

* * *

CITY BANK FARMERS TRUST CO., N. Y.

	Dec. 31,'53	Sept. 30,'53
	$	$
Total resources	136,091,352	123,164,288
Deposits	98,914,696	86,970,773
Cash and due from banks	34,728,092	25,147,133
U. S. Govt. security holdings	69,605,745	65,674,729
Loans & discounts	6,054,557	6,159,160
Undivided profits	11,789.641	11,642,343

* * *

MANUFACTURERS TRUST COMPANY, NEW YORK

	Dec. 31, '53	Sept. 30, '53
	$	$
Total resources	2,933,112,690	2.806,785,378
Deposits	2,699,398,711	2,573,862,235
Cash and due from banks	882,219,593	758,266,535
U. S. Govt. security holdgs.	833,048,305	750,865,790
Loans & discts.	917,612,832	1,008,844,796
Undivid. profits	29,279,761	27,291,408

* * *

CHEMICAL BANK & TRUST COMPANY, NEW YORK

	Dec. 31, '53	Sept. 30, '53
	$	$
Total resources	2,006,636,863	1,872,038,475
Deposits	1,816,211,892	1,687,491,336
Cash and due from banks	591,062,560	512,132,460
U. S. Govt. security holdgs.	452,734,761	442,415,869
Loans & discts.	773,596,172	726,577,110
Undivid. profits	18,126,175	19,031,005

* * *

THE HANOVER BANK, NEW YORK

	Dec. 31, '53	Sept. 30, '53
	$	$
Total resources	1,842,154,414	1,653,460,866
Deposits	1,656,719,012	1,473,977,161
Cash and due from banks	484,286,064	402,868,658
U. S. Govt. security holdgs.	572,229,541	483,737,487
Loans & discts.	795,434,240	684,256,246
Undivid. profits	22,220,580	19,615,974

BANK OF THE MANHATTAN COMPANY, NEW YORK

	Dec. 31, '53	Sept. 30, '53
	$	$
Total resources	1,435,342,124	1,311,673,687
Deposits	1,298,606,987	1,179,550,886
Cash and due from banks	398,538,094	352,347,596
U. S. Govt. security holdgs.	324,376,950	289,857,694
Loans & discts.	622,338,695	575,688,623
Undivid. profits	17,266,269	16,574,663

* * *

THE NEW YORK TRUST COMPANY, NEW YORK

	Dec. 31,'53	Sept. 30,'53
	$	$
Total resources	773,727,082	711,132,143
Deposits	678,684,363	622,711,537
Cash and due from banks	202,285,252	175,151,335
U. S. Govt. security holdings	215,044,675	169,922,633
Loans & discounts	327,213,800	357,647,179
Undividel profits	14,352,161	14,052,089

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THE PUBLIC NATIONAL BANK AND TRUST CO. OF NEW YORK

	Dec. 31,'53	Sept. 30,'53
	$	$
Total resources	546,341,168	508,963,371
Deposits	490,903,236	453,646,737
Cash and due from banks	153,737,410	122,517,413
U. S. Govt. security holdings	91,222,015	60,675,256
Loans & discounts	258,764,563	281,763,488
Undivided profits	12,517,723	12,304,643

* * *

THE MARINE MIDLAND TRUST CO. OF NEW YORK

	Dec. 31,'53	Sept. 30,'53
	$	$
Total resources	500,385,658	458,932,009
Deposits	458,719,376	418,274,035
Cash and due from banks	175,814,093	144,526,732
U. S. Govt. security holdings	115,012,181	100,993,708
Loans & discounts	195,780,557	198,525,641
Undivided profits	6,354,517	6,255,237

* * *

THE STERLING NATIONAL BANK & TRUST COMPANY OF NEW YORK

	Dec. 31,'53	Sept. 30,'53
	$	$
Total resources	149,512,917	141,226,378
Deposits	138,814,038	130,996,048
Cash and due from banks	36,483,219	32,332,121
U. S. Govt. security holdings	53,241,508	41,490,465
Loans & discounts	52,301,726	60,855,949
Undivided profits	1,409,686	1,377,387

* * *

GRACE NATIONAL BANK OF NEW YORK

	Dec. 31,'53	Dec. 31,'52
	$	$
Total resources	139,867,701	132,509,162
Deposits	117,771,112	114,409,955
Cash and due from banks	39,984,818	32,900,978
U. S. Govt. security holdings	45,556,381	46,119,181
Loans & discounts	42,994,491	43,714,845
Undivided profits	980,286	1,162,569

* * *

J. HENRY SCHRODER BANKING CORP., NEW YORK

	Dec. 31,'53	Sept. 30,'53
	$	$
Total resources	103,370,414	99,482,006
Deposits	72,805,175	69,436,926
Cash and due from banks	10,010,853	9,299,679
U. S. Govt. security holdings	47,844,211	52,271,048
Loans & discounts	20,865,393	13,252,196
Undivided profits	2,504,552	4,257,210

* * *

SCHRODER TRUST CO., NEW YORK

	Dec. 31,'53	Sept. 30,'53
Total resources	$69,808.030	$48,304,668
Deposits	63,150,798	42,045,101
Cash and due from banks	13,023,288	9,808,629
U. S. Govt. security holdings	45,281,078	28,999,070
Loans & discounts	10,585,486	8,692,585
Undivided profits	1,402,743	3,256,141

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CLINTON TRUST CO., NEW YORK

	Dec. 31,'53	Sept. 30,'53
Total resources	$33,134,994	$31,548,094
Deposits	30,730,269	29,163,251
Cash and due from banks	8,528,626	8,143,524
U. S. Govt. security holdings	12,368,200	11,788,510
Loans & discounts	9,710,033	9,076,932
Surplus and undivided profits	1,098,086	1,010,211

* * *

IRVING TRUST CO., NEW YORK

	Dec. 31, '53	Sept. 30, '53
	$	$
Total resources	1,487,396,547	1,397,195,224
Deposits	1,323,864,572	1,242,853,739
Cash and due from banks	395,600,967	371,230,602
U. S. Govt. security holdgs.	373,250,363	325,579,030
Loans & discts.	607,671,482	591,532,591
Undivid. profits	17,513,424	18,328,407

Continued on page 41

Free Trade or Free Exchanges—A British View

By PAUL EINZIG

Holding free trade and free exchanges are not necessarily integrated, Dr. Einzig states it has now become fashionable for British economists to preach that return to sterling convertibility is a supreme objective, for sake of which the return to free trade should be delayed. Says British Government is committed to removal of trade restrictions, and cites recent easing of exchange controls.

LONDON, Eng.—The title of this article would have appeared utterly absurd to the prewar generation. Surely, they would say, free trade and free exchange are not alternatives. They go together—or at any rate so they did before the war. Whenever a country felt impelled to restrict foreign exchange dealing it usually felt impelled to restrict foreign trade, and vice versa. In our days, however, free trade and free exchange no longer complete each other, except in the case of the United States and a few other favorably placed countries which can afford to have both at the same time. A great many other countries can afford neither, they have to maintain restrictions on foreign trade as well as on exchanges. On the other hand, a number of countries are confronted with the dilemma of choosing between relaxing their trade restrictions and relaxing their exchange restrictions. Britain is one of these countries.

Dr. Paul Einzig

It is only since recently that the need to choose between the two freedoms has come to be realized. Until a year ago it was widely assumed that a return to free exchanges would necessarily bring free trade. The "dash to freedom" school meant to have both at the same time. Its adherents assumed that once convertibility of sterling was restored all would be well also in the sphere of trade. During the second half of 1952 the increase of the Sterling Area gold reserve gave rise to a wave of optimism, and the government nearly accepted the point of view that the balance of payments problem could be solved by simply returning to free exchanges and allowing things to work themselves out for the best.

In 1953 the influx of gold slowed down, however, before a sufficiently large quantity of gold could be accumulated to make it appear safe to face the initial pressure that convertibility was expected to produce on sterling. Those in favor of returning to freedom at the earliest possible moment began to lose their overdose of self-assurance. They gradually came to the conclusion that this country could ill afford just now to return to both freedoms at the same time, and that the choice was between restoring convertibility while defending the convertible pound with the aid of import restrictions or relaxing import restrictions while continuing to seek safety in inconvertibility.

Until quite recently the view that free trade is more important than free exchange prevailed among liberal economists. This was only natural, for, after all, exchanges are merely the means to the ends of foreign trade. To restrict the volume of imports for the sake of being able to free the exchanges does appear to mistake the means for the end. Accordingly the government was urged to remove quotas and discriminations, even at the cost of maintaining exchange restrictions.

During the last few weeks the tide of British expert opinion seems to have turned. It has now become fashionable to preach that, after all, convertibility is the supreme end for the sake of which it would be worth while to delay somewhat the return to free trade. The change may be accounted for by the fact that during recent months Britain and the Sterling Area has in fact made appreciable progress towards the removal of quantitative trade restrictions. While a few months ago those restrictions appeared formidable, now they are relatively moderate. For this reason, the removal of trade restrictions no longer seems to be so urgent; liberal opinion is now concentrating on the removal of exchange restrictions.

As for the government, it is committed to the removal of the trade restrictions. In November the greater part of the restrictions on imports from the European Payments Union was removed, in spite of the existence of a large British debit balance in relation to the European Payments Union. Furthermore, tourists' exchange allowances have been increased. Even before these concessions were made, free dealings in various commodities were restored, in spite of the possibility of losing dollars as a result of international operations in the commodity markets. As from September, 1954, the Liverpool Cotton Exchange will be reopened. The Government is fully prepared to envisage some losses of dollars through foreign dealings on the Cotton Exchange, but is willing to pay the price within reason for the sake of restoring free international trade.

Opinion within the Government is by no means unanimous about the question whether Britain could really afford to lose dollars through these steps toward free trade. Some Ministers and officials have their doubts on the subject. But most of them agree that, having decided to face such losses, Britain could not possibly afford at present to put up with additional losses through restoring the convertibility of sterling.

Possibly if the progress toward free trade were to be reversed through a reimposition of import cuts and discriminatory quotas, through the suspension of free dealings in metals and other commodities, and through the deferment of the reopening of the Liverpool Cotton Exchange, official opinion might change in favor of an early convertibility. Such a course is inconceivable, however. It would be opposed even by the advocates of early convertibility. It seems that the Government, having come down on the side of free trade in preference to free exchanges, will remain consistent, in spite of the inconsistency of economists and financial editors who, having urged the Government to adopt its present course, are now urging it to change its policy.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Lowell E. Williams has become affiliated with Merrill Lynch, Pierce Fenner & Beane, 1003 Walnut Street.

Yarnall, Biddle & Co. New Firm Name

PHILADELPHIA, Pa. — The firm name of Yarnall & Co., 1528 Walnut Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, has been changed to Yarnall, Biddle & Co., effective Jan. 1, 1954. At the same time announcement was made by Yarnall, Biddle & Co. of the admission of James D. Winsor, Jr. and James D. Winsor, III, as general partners in the firm. Benjamin Rush, Jr. has withdrawn as a limited partner.

The following general partners now constitute Yarnall, Biddle & Co.: Alexander C. Yarnall, William P. Cosgrove, James D. Winsor, Jr., Harry B. Snyder, Herbert V. B. Gallager and James D. Winsor, 3rd.

James D. Winsor, Jr. was senior partner and James D. Winsor, 3rd a general partner of Biddle, Whelen & Co. which dissolved at the close of 1953. The Winsors are direct descendants of John Biddle, who founded the firm of Thomas A. Biddle & Co. in 1764.

Earl P. Paris With R. S. Hecht & Co.

NEW ORLEANS, La. — R. S. Hecht & Co., Hibernia Building, announce that Earl P. Paris has joined their firm as Manager of the bond department. Mr. Paris was formerly Vice-President and Manager of the New Orleans branch of the Federal Reserve Bank of Atlanta.

Bigger Retires as Pres. of R. S. Dickson

Atkins Succeeds Him

CHARLOTTE, N. C. — R. A. Bigger has retired as President of R. S. Dickson & Company, Incorporated and J. Murrey Atkins has been advanced to succeed Mr. Bigger as President, it was announced by R. S. Dickson, Chairman of the investment banking firm. Mr. Bigger will continue as a director of the company.

Edward B. Wulbern has resigned as Senior Vice-President and is becoming associated with the firm of Pierce, Carrison, Wulbern, Inc., of Jacksonville, Fla. Logan V. Pratt, Assistant Vice-President, has been elevated to Vice-President of the R. S. Dickson organization.

From Washington Ahead of the News

By CARLISLE BARGERON

There has undoubtedly been worse nonsense but it is doubtful if the country has ever been so saturated with worse nonsense than that about the Democrats' cooperation with the Eisenhower Administration having come to an end because (1) Attorney General Brownell charged Truman with having promoted Harry Dexter White after the FBI had reported charges he was a spy, and (2) because Governor Dewey recently made a speech saying the citizenry should consider Truman's name synonomous with death in Korea and rottenness in government. These alleged instances of recklessness on the part of two high Republican moguls, we have been repeatedly informed by the pundits, broke up a happy relationship between Eisenhower and the Democrats which augured well for the future of the country and will now result in much evil. The obvious suggestion is that Dewey and Brownell should be repudiated by the Administration and the Republicans as a whole.

Carlisle Bargeron

That such propaganda as this from the Washington pundits should be so widely circulated over the country and accepted, is evidence of the even political balance between the Republicans and Democrats in Congress. It has been a mistake to assume that the country went Republican in November, 1952 as has been generally assumed. What happened was that a man running for the Presidency on the Republican ticket was elected to the White House but a general Republican Administration is far from being in power. The Democrats are still quite vocal, they are apparently more vocal than the Republicans.

The so-called Democratic cooperation with the President at the last session of Congress was not cooperation in the sense of the word in the slightest. It was a case of the President proposing measures which the Democrats could not afford to resist. There will be measures of the same sort at this session and you will find the Democrats supporting them, certainly more enthusiastically than the Republicans. The explanation will be that the particular measures will be of such a type that the Democrats cannot afford to oppose. But you can rest assured that whether they support the President on a particular piece of legislation or oppose him will not be influenced by either Dewey's or Brownell's attack.

It is in the cards, because of the nature of the President's program, that a picture similar to that of the last session will be presented—of his getting the necessary support from the Democrats and of appearing to be at odds with his own party. But moving against this situation is a yearning on the part of the Republicans to get along. They are going to swallow a lot to accomplish this. They are a worried folk and apparently quite chastened from their long visit at home. They have returned to Washington with a feeling that if they don't hang together they are going to hang separately. How long this feeling will govern them, how long it will hold them in line on unpalatable Administration measures is hard to tell. But the President and his close official family are said to be highly hopeful of what the future will bring. Not only do the Republican leaders now exhibit a longing to show party unity, they feel a need of building up their man, their President, to build him up as a great leader who cracks the whip and makes the legislators do his bidding. As to how long this will last I feel less certain than I do about their longing to present a united party.

As things are shaping up the surprise of the session may come from the Democrats trying to out-do the President in proposals generally acceptable to them and less palatable to the Republicans generally. In this respect they are likely to come forward with a bigger tax cut such, for example, as an increase in exemptions for dependents from $600 to $700 or $800. The fact they are seriously considering something on this order shows they are not the sagacious politicians they are reputed to be as contrasted with the Republicans' reputation for political stupidity. The Republicans have been living under this shadow ever since they were supposed to have returned to power. If the Democrats should succeed in pushing through any such tax reduction the Administration would get the credit for it and if they didn't nobody would get any credit for it.

Where the cocky Democrats are most likely to stump their toes though, I think, is their plan to go all out against the President's military program. They plan to fight the reduction of our armed forces in Korea and in Europe. They plan to fight for more appropriations for the military. Their theme is to be that the Republicans are scuttling security for economy, putting the dollar ahead of defense. This, indeed, seems to be the main service they intend to offer as the "loyal opposition." To my mind it is something the Republicans can easily show a united front on and something on which the Democrats will get a thorough licking. The next few months may, in fact, show the country holding an entirely different impression of the two political parties in Congress which would benefit the Republicans next November, settle the question of whether the country is Republican or Democratic, conservative or liberal, and negative the voice of the "liberals" and pinks in our national affairs.

Britain's Progress Toward Convertibility

Federal Reserve Bank of New York's "Monthly Review" recounts advances toward a freer system of trade and payments in Great Britain by removal of discriminating trade barriers and relaxing of controls over international payments.

The Federal Reserve Bank of New York reports in the January issue of its "Monthly Review of Credit and Business Conditions," an increase of almost $700 million in Britain's gold and dollar reserves and encouraging progress toward a freer system of trade and payments have created a "fair prospect" of continuing advance toward the goal of sterling convertibility and removal of discriminating trade barriers.

Improvements in the British economy have been reflected in many steps during the past year or two to relax official controls over international payments and the movement of goods in international trade, the Bank's publication points out. The London foreign exchange market has been reopened, various exchange controls have been relaxed, private trading has been resumed on a number of commodity markets, and quotas have been enlarged or removed on imports from non-dollar countries. These steps have run the risk of being overlooked, or of being inadequately appreciated, because they were small individually and spread over a long period.

The freer flow of trade has been enhanced by easier access to, and wider dealings in, foreign exchange, while the lowering of trade barriers has tended to increase the economic significance and practical advantages of the broadened operations in the foreign exchange market, the Bank explained. Thus the trends toward liberalizing the movement of both goods and money payments have tended to reinforce each other.

In concluding its survey of the recent changes in Britain's payments situation, the "Monthly Review" states:

"Britan's extensive progress in the easing of controls over international trade and payments may thus be said to have served two broad purposes: First, the decontrol measures themselves, in conjunction with generally favorable developments in the balance of payments and in the position of sterling on the principal exchange markets, have provided a greater degree of freedom and flexibility in the British economy, and have led to a strengthening of Britain's position in international trade and finance. Secondly, the measures so far taken have helped to set the stage for a gradual restoration of freer trade and payments, including, eventually, the convertibility of sterling into all other currencies, which is the stated aim of Britain and the other Commonwealth countries. From this standpoint, the recent liberalization measures have helped not only to provide the necessary technical foundation, but also to furnish a valuable body of experience as a guide for further progress.

"Moreover, the possibilities for further advance should not be minimized. Britain's recent surpluses on current-account transactions, the reduction in sterling balances held outside the area, and the higher price of sterling in world exchange markets have greatly strengthened the position of sterling as an international currency. These favorable payments and exchange developments have made it more feasible, on the whole, to undertake significant relaxations of controls. Furthermore, the longer-run effects of such decontrol measures as have already been implemented or may be taken in the future should enhance Britain's economic efficiency and improve its position in the world economy, with consequent benefits for its balance of payments.

"The pace of British progress toward freer trade and payments will, of course, be conditioned by the rate of improvements in Britain's external position, since the removal of restrictions may initially tend to exert an adverse influence on the balance of payments and on monetary reserves. More fundamentally, further progress depends upon the continued pursuit of non-inflationary domestic policies in Britain and throughout the sterling area, the directing of economic development toward greater production for export and greater competitive power in international markets, the maintenance of high levels of economic activity in other principal countries, and the cooperation of all trading nations and international organizations in building a freer and more stable world economy. None of these conditions admits of easy or automatic fulfillment, but the recent developments provide some ground for encouragement. Given the continuation of sound domestic policies within the sterling area and a growing measure of cooperation among the world's major trading nations, there is a fair prospect of continuing British progress toward the objectives of sterling convertibility and the removal of discriminatory trade barriers."

Morgan Stanley Co. Admits Three Partners

Morgan Stanley & Co., 2 Wall Street, New York City, have announced the admission of William

William Ewing, Jr. Frank A. Petito

H. Edward Vollmers

Ewing, Jr., Frank A. Petito and H. Edward Vollmers as general partners, effective Jan. 1, 1954.

Mr. Ewing, son of one of the firm's founders, has been associated with Morgan Stanley since 1940. Prior to that, he spent five years with J. I. Case Company. During the war he served in the U. S. Air Force, attaining the rank of Major.

Mr. Petito joined Morgan Stanley in 1937 and has been with the firm since then, except for five years of military service. He was a Lieutenant-Colonel at the time of his separation from the U. S. Army in 1945.

Mr. Vollmers received his chemical engineering degree at Columbia University in the School for Mines, Engineering and Chemistry in 1922. He joined Morgan Stanley in 1945, having been asociated with American Cyanamid Company immediately prior thereto.

The Bond Market in 1954

In annual year-end review, Halsey, Stuart & Co. Inc., investment banking house, forecasts some decline in corporate offerings, but full supply of tax-exempt state and municipal issues, along with large refundings of U. S. government obligations. Sees probability of lower interest rates and higher bond prices. Predicts a relatively high volume of capital expenditure in 1954

Halsey, Stuart & Co. Inc., in its annual year-end bond survey, forecasts for the nation's bond market in 1954 a continued full supply of tax-exempt state and municipal issues, some decline in over-all corporate offerings, large refundings of government obligations in addition to new money deficit financing by the Treasury in the last half, the likelihood of much more stable interest rates and bond prices than prevailed in 1953, and the probability of lower rates and higher prices.

"The nation's over-all economic activity still is in high gear as we enter the new year, but some of the hills are getting steeper and some segments of the economy are shifting or preparing to shift into a lower gear," the Halsey, Stuart forecast states. "The economy will continue to roll, and well, but not at the extraordinary speed it has sustained through many years."

In the industrial field, according to the survey, capital expenditures in 1954 may be relatively high, although somewhat under the peak level of 1953. However, it pointed out, the volume of new corporate bond issues may decline to a greater degree as industrial demands for new capital contract. As the railroads approach complete dieselization, borrowing for new equipment undoubtedly will decline further. Utility financing, however, could maintain or exceed the volume of recent years, with electrical utilities projections calling for expenditures of close $4½ billion and the telephone industry still trying to catch up with public demand for new facilities. In the gas utilities field, forecasts indicate a reduction of about 30% in 1954 expenditures for production, transmission and distribution and storage.

State and municipal issues will go to market in sizable volume, said Halsey, Stuart, although "whether 1954 will be another record breaking year for tax-exempt offerings is anybody's guess." The company pointed out that the nation's voters last November approved over 90% in amount of the bonds submitted at the polls.

"Additional turnpike financing is being discussed in several states and amounts involved are enormous," the survey continued. "The backlog of need for school, highway, sewer, water and other municipal facilities continues to mount with the nation's growing population and expanding communities.

"While the reduction in individual income tax rates effective January 1 seemingly would lower the value of these issues' tax exemption, its actual effects will be nominal. The good yields of state and municipal bonds will continue highly attractive to certain investors, as will their tax-exempt status and their proved stability."

The year ahead probably will see some slackening of the nation's economic pace. Halsey, Stuart predicted. "Indications are that housing starts will be less than the levels of recent years and the demand for mortgage money correspondingly lower. Industry's over-all expenditures for plant and equipment are likely to continue high, but off somewhat from 1953's peak. A softening of general business activity, already evident in some fields, should result in a lower demand for both business and installment credit. In an effort to offset the economic decline, Federal fiscal authorities will probably put emphasis upon the maintenance of easy money market conditions.

"Individual savings should continue at a high level, reflecting the individual's inclination to save money when he feels uncertainty in the general business outlook. Much of today's savings takes the form of debt reduction or is in committed money, such as that paid into insurance policies and pension funds, and the institutional recipients of these funds undoubtedly will continue to provide the principal market for corporate offerings. Because of lower credit demands banks are expected to be a more important factor in the short-term investment market."

Looking back at 1953, the survey cited it as a year of abrupt changes in the financial markets, of sharp variations in bond prices and interest rates. A high level of economic activity and high credit demands in late 1952 carried over into 1953, and their inflationary potentials "were a problem child deposited on the doorstep of a new Adminictration that was pledged to halt devaluation of the dollar. The problem was further complicated by the fact that the Treasury was faced with financing a budgetary deficit and with heavy debt maturities which would have to be refunded."

Money became tighter and interest rates gradually edged upward during the first quarter, the survey related. Following the Treasury's April offering of its first long-term bond issue since 1945, distribution of which "could hardly be termed successful," the market for government bonds broke and substantial declines in prices for both corporate and tax-exempt securities took place. From mid-April to mid-June the market was uncertain and disorganized.

Market confidence was restored during the summer, after the Federal Reserve banks began open market purchases of Treasury bills and Federal Reserve authorities reduced the reserve requirements of member banks. Long-term bond prices improved. "The Treasury's August and September refundings were highly successful," said the survey. "These developments were reflected in the mid-September and October bond market by a rapid upward adjustment in prices. Reflecting this change for the better, an average of corporate bond prices which was 92.97 on June 19 had increased to 97.10 as the year drew to a close and an average of tax-exempt bond yeilds had moved from 3.06% to 2.56%."

The survey pointed out that corporate spending for new plant and equipment in 1953 probably approached a record $28 billion, but that "from summer on, easing tendencies in some industrial construction and financing became apparent."

Utilities financing during the year, bolstered by substantial offerings in the fourth quarter, undoubtedly brought 1953's utility stock and bond total close to the $3.4 billion of 1952, Halsey, Stuart said. "Preferred and common stock accounted for about 40% of the 1953 offerings, maintaining and in most cases improving the satisfactory equity back of the utility debt structure," the company added.

Railroad equipment financing aggregated some $240 million in public offerings, down somewhat from the $270 million of 1952, the survey continued, pointing out that there were only four mortgage offerings during the year, all refunding issues, and totaling $56 million.

It was a record breaking year for tax-exempt issues, with state and municipal offerings totaling over $5 billion to pass up 1952's previous record of $4.4 billion. Highway and school revenue bonds rose to prominence in both volume and size of issue, usurping the position held by bonus bonds in preceding years. U. S. Housing Authority bond volume continued to fall far below early predictions, but did contribute about $500 million to the total.

New Branch for First Securities

CEDAR RAPIDS, Iowa—First Securities Company of Chicago announce the association with them of Edward H. Kane as Manager of their new Cedar Rapids, Iowa office. Mr. Kane, born and raised in Cedar Rapids, has been in the investment business in his native city since 1924 where he represented, during the last 29 years, such well known organizations as the old Foreman Bank of Chicago and E. H. Rollins & Sons.

Mr. Kane is widely known in banking and insurance circles in Iowa.

Joins Hannaford Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Sydonia Chance Masterson has become affiliated with Hannaford & Talbot, 519 California Street. Mrs. Masterson was formerly with Dempsey-Tegeler & Co. and Schwabacher & Co.

Railroad Securities

The Rail Securities Market in 1953

The railroads have just finished a highly successful year. Revenues were at an all-time peak. New records for operating efficiency were established. Net income may have been at a new record high — if not, it was certainly close to the previous peak of $901.7 million set in the war year 1942 when the tax burden was considerably less onerous. For the sixth successive year more than $1,000 million was spent for capital improvements, including new equipment. Dividend increases and larger extras were widespread. For the first time in the memory of the present day investor there were some stock dividends. With all of this background rail stocks did not do well last year.

Measured by the Dow-Jones average railroad stocks last year declined 15.5%, from 111.27 at the close of 1952 to 94.03 at the close of business Dec. 31, 1953. Despite the apparent almost universal belief that railroad securities always move together there was, as usual, a wide variation in the movement of individual rail stocks in 1953. Taking a list of 58 railroad common stocks and speculative preferreds listed on the New York Stock Exchange, price movements last year ranged all the way from an advance of 27.3% to a decline of 55.8%. There were a total of 23 stocks that out-performed the market and 35 stocks that suffered wider declines than the Dow-Jones average. On the whole the better grade stocks acted the best although there were some special situations in the speculative group that did well.

All told there were five stocks out of the 58 that advanced in price last year. By far the best performer was Minneapolis & St. Louis with a gain of 27.3%, followed by Western Maryland 2nd preferred up 16.9%. The latter was naturally influenced by the stock recapitalization progress. It is notable that the common stock of that company also held up quite well, having shown a decline of only 4.1% during the year. Other stocks showing advances last year were New York, New Haven & Hartford common, Central of Georgia preferred and Denver & Rio Grande Western. The gains registered by these three amounted to less than 4% in each instance.

There were 10 roads whose stocks declined less than 10% last year and another eight whose stocks declined more than 10% but less than the 15.5% drop registered by the Dow-Jones average. The best stock in this group was Southern common which, adjusting for the two-for-one split, dipped only 2.1%, or less than a point. Chicago & Eastern Illinois Class "A" stock and Seaboard Air Line common also experienced declines of less than 3%. Others with declines running to less than 10% were, in the order named, Santa Fe common, Katy preferred, Union Pacific, New Haven preferred, Rock Island, and Western Pacific. For the most part this group represents the sounder credits in the industry, with Katy preferred and New Haven preferred in the "special situation" speculative category.

On the other end of the scale there were three stocks, all highly speculative, that marked up price declines of more than 50%. The poorest performance was that of Boston & Maine new common (it was traded when-issued at the 1952 year-end) with a drop of 55.8%. The other two were Minneapolis, St. Paul & S. S. Marie common, and Chicago, Milwaukee, St. Paul & Pacific common. Chicago & North Western common (down 45.0%) and Chicago, Indianapolis & Louisville "B" stock (down 42.7%) were also prominent among the large losers last year. In addition to these five stocks that registered declines of more than 40%, there were six others that showed wide drops, from 39.0% to 32.0%. In order, they were Boston & Maine preferred, Chicago & Eastern Illinois common, Central of New Jersey, Northern Pacific, Lehigh Valley and Baltimore & Ohio common. With the exception of Northern Pacific these are all highly speculative situations. Northern Pacific suffered from the excessive speculation on oil potentialities in 1952. The remaining 24 stocks, too numerous to mention separately, had declines running from 29.9% to 16.0%.

Hardy & Hardy Wire To L. J. Schultz & Co.

Hardy & Hardy, 11 Broadway, New York City, over-the-counter specialists, established in 1932, announce the installation of a direct wire to L. J. Schultz & Co., Cleveland, Ohio. The firm of L. J. Schultz & Co., established in 1930 and specializing in general market bonds and stocks is a member of the Midwest Stock Exchange.

Eric Goldsmith With Carl M. Loeb, Rhoades

Eric M. Goldsmith has become associated with Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York City, members of the New York Stock Exchange. Mr. Goldsmith was formerly a partner in Bendix & Co.

Public Utility Securities

By OWEN ELY

Detroit Edison Company

Detroit Edison Company serves electricity to an area of 7,587 square miles in southeastern Michigan, with an estimated population of 3,771,000; this includes the City of Detroit and environs as well as extensive industrial and farm areas outside Detroit. Total revenues approximate $192 million. The company disposed of its gas business in 1951 but steam heating service accounts for about 3% of revenues, and there is a negligible amount of water service.

Electric revenues are 37% residential, 28% commercial (small light and power), 31% industrial (large power and light) and 4% miscellaneous. The proportion of industrial power seems to be relatively small considering the highly industrialized character of the area. Residential rates average 2.92c per kwh., slightly above the U. S. average, while average usage is 2,481 kwh., above the U. S. average.

The company has five steam generating stations and five small hydro units. The second unit at St. Clair Power Plant, currently going into service, has an estimated capability of 150,000 kilowatts, raising total system capability to 2,195,000 kilowatts. Of this total, 780,000 kilowatts will have been installed during the past five years.

The company still has a huge construction program under way to meet defense needs and the expansion of automotive and related industries in its area. Gross expenditures for property additions approximated $280 million in the five years 1948-52. Construction during 1953 has continued at a heavy rate, and the company expects to spend about $71 million in 1954. The St. Clair steam plant is designed for four generators of 150,000 kilowatts each, the first of which went into commercial service last August and the second in November. The remaining two units are scheduled for service in July and November, 1954. Preliminary work has also begun on the new River Rouge plant which will have two generators of about 245,000 kilowatts each, scheduled for operation in April and November, 1956. Total cost of this plant is estimated at $73,100,000.

The company is now interconnected with the Hydro-Electric Commission of Ontario, and future interchange of power with Canada should prove advantageous, under variable load conditions for the two areas.

Detroit Edison has done comparatively little equity financing in recent years, 1-for-10 subscription offerings having been made in November, 1949 and March, 1951. Supplementing these sales, the company issued convertible debentures in 1948, which have now been very largely converted into stock (about $3 million debentures are outstanding). Recently the company announced an offering of $43,358,000 new convertible debenture 3¼s due 1969. These new debentures will be convertible beginning Feb. 1, 1956 into stock at 25 (four shares for each $100 bond) with adjustment for accrued dividends and interest and with protection against dilution, as described in the prospectus dated Dec. 30. The offering is not being underwritten.

The new debentures are rated A by Moody's Service, which has estimated their conversion value around 100 (exclusive of the conversion rights). They have been selling recently on the Stock Exchange on a when-issued basis around 111, with the subscription rights around 7/16ths and the common stock at 29. If the bonds were immediately convertible they would be worth about 116 but since this value cannot be realized for two years and since meantime the interest income will be only about half as much as the potential dividend income from the stock, there is about a five-point discount (this discount may narrow when the stock goes ex-rights).

Share earnings on the common stock for the 12 months ended Nov. 30 were $2 a share. It appears possible that, due to future savings in operating costs which may result from the large additional capacity being installed (plus other factors such as the power interchange with Canada) earnings will continue to increase, though hardly at the rapid rate of gain in 1953 when net increased 21%. Eventually, earnings might be diluted as much as 20c a share as a result of conversion of the new debentures, it is estimated, but the interim increase in earnings seems likely, in the writer's opinion, to more than offset such dilution.

The dividend rate was increased in 1952 from $1.20 to $1.40, and in July, 1953 to $1.60. If the trend of earnings remains favorable despite future dilution from debenture conversion, it seems possible that some further increase in the dividend rate might be forthcoming over the next two or three years.

DETROIT EDISON COMPANY

Year	Revenues (Millions)	Common Stock Record† Earned	Dividend	Approx. Range
1953	$191.8*	$2.00*	$1.50‡	30⅞-24½
1952	172.6	1.71	1.40	25⅛-23
1951	164.3	1.68	1.20	23⅝-21⅝
1950	150.8	2.18	1.20	24 -21⅜
1949	134.6	1.73	1.20	23¼-20
1948	120.2	1.49	1.20	21¾-20
1947	106.8	1.59	1.15	24 -20⅞
1946	90.8	1.52	1.09	25½-20⅞
1945	85.2	1.13	1.09	23⅛-19⅛
1944	83.5	1.18	1.09	19⅜-16⅞

*12 months ended Nov. 30. †Adjusted for 10% stock dividend in May 1947. ‡Present rate $1.60.

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As We See It

that matter, wish to be labeled protectionist. The fact remains, however, that there are a good many who wish to lose none of their present protection and who would permit no opportunity to get more to pass them by. All this is clear enough in the representations which have been filed with the Commission.

Broad Terms of Reference

Yet the terms of reference of the Randall Commission are so broad that it must give consideration to a great deal more than tariffs. Many of these other issues are likewise either highly controversial or are so bedeviled with politics that the Commission will almost of necessity find itself faced with extremely difficult problems in coming to any really significant conclusions or making any definite recommendations. In this world of ours today, tariffs frequently sink into relative insignificance in contrast to the multifarious restrictions and interferences which bear in an important degree either directly or indirectly upon the accessibility of foreign markets throughout the world.

We often wonder if misunderstanding, yes, even outright ignorance, is not a more formidable obstacle to the benefits of international trade than any tradition of protectionism or any desire on the part of American producers to escape competition from abroad. It sometimes appears to us that the cause of greater freedom and greater rationality in international economic dealings suffers more from its friends than from those who frankly would close our borders and proceed henceforth upon a basis of more or less complete self-sufficiency.

Such a statement will, doubtless, come as a surprise, perhaps as a shock to many "liberals" who probably regard themselves as ardent advocates of "forward looking" international programs. Yet it seems to us that the facts warrent the view expressed. Take this term "convertibility"—a word to conjure with in this day and time. "Convertibility" as used today has no reference, of course, to gold or any other metallic standard. It is frequently employed with reference to pounds sterling — and in this case merely means freedom on the part of owners of balances in Britain to convert them into other currencies. It has now often come to mean the same thing for all important currencies of the world, that is, an abandonment of currency and exchange restrictions generally.

Such a freeing of these international relationships is desirable, so the reasoning runs, because it lays a basis, or helps to lay a basis for "multilateral" trade and investment operations. It would bring such a blessing, of course, only if these conversions of one currency into another could be effected at reasonably stable and predictable rates. Thus the event toward which the whole liberal creation is directed would, therefore, be a situation so well balanced that free economic intercourse among all the important nations of the world could proceed without let or hindrance.

Just a Dream

Such is the dream of many of the planners and the economic managers of the times—and it is obviously a pleasant dream. But how can it be made a reality if each or any of the important nations of the world insist upon managing their own economy upon a national basis in the interest of full employment, endless prosperity, and eternally rising prices at home, or engage in monetary manipulation and inflationary public finance with an eye single to domestic affairs? And who, even among the most visionary, would suggest that the world seriously embark upon an effort to set up a centralized organization to manage the economy of the world? It was upon this rock that the London Economic Conference of 1933 was wrecked, and this hazard to navigation still lies ahead of all those who dream of international freedom along side of domestic economic control or manipulation.

What has been said above applies with equal force as regards the return of the United States and the rest of the world to the gold standard. The truth of the matter, and most unfortunately so, is that neither the people of this country nor elsewhere seem ready and willing to undertake those things which are essential to the successful working of such a standard. The prevalence of this attitude apparently is due in large measure to lack of knowledge of the benefits that must ultimately accrue to all peoples through the mechanism of a convertible gold coin standard.

Many, if not most of those who are most actively engaged in promoting "convertibility" oppose any thought of a return to a gold standard, but are they not as reluctant to permit the rise of conditions making convertibility feasible as they are to those necessary to a successful return to gold—and are the necessary conditions very different?

American Stock Exch. Receives New Slate

John J. Mann, Board Chairman of the American Stock Exchange and a former page boy on that market, became the second exchange member to be so honored with his nomination yesterday to his fourth consecutive term as Chairman of the Trinity Place Market for the ensuing year, according to an announcement by Edward T. McCormick, Exchange President. The late Fred Moffatt was also nominated and elected to four consecutive terms.

John J. Mann

Mr. Mann, an exchange member and stock specialist since 1933, and a Governor since 1948, was Vice-Chairman in 1950 and served his first term as Chairman in 1951. He entered Wall Street as a page boy on the old New York Curb Market (American Stock Exchange predecessor) in 1925, and in 1928, following receipt of a B.A. from St. John's College, Fordham University, he became one of the first specialist's clerks on the market's trading floor.

The slate, presented to exchange members for offices to be filled at the annual election on Feb. 8, names for three year terms as Class "A" members of the governing board: Joseph F. Reilly; James R. Dyer, Dates & Dyer; Mortimer Landsberg; Ralph F. Lafferty, R. F. Lafferty & Co.; and Samuel Weiner, J. A. Ludlow & Co. Named for two year terms as Class "A" governors were: Robert Strain Hart Smith & Co. and Frank L. Walin, Joseph McManus & Co.

Nominated to three year terms as Class "B" governors were: Mat ie Dea Ha l. L. A. Mathey & Co.; I. W. Burnham, II, Burnham & Co.; Martin Le Boutillier, Delafield & Delafield; and Harold A. Rousselot, Orvis Bros. & Co.

E. J. Muller and Austin K. Neftel were nominated to three year terms as trustees of the gratuity fund.

Frederick J. Roth is Chariman of the nominating committee which also includes: Garry Onderdonk, L. A. Mathey & Co.; Joseph A. McGarry; James Gilligan, Gilligan, Will & Co.; Theodore A. Winter, William P. Hoffman & Co., and John J. Miles, Jr., Adriance & Fim.

Twin City Bond Club Elects New Officers

MINNEAPOLIS, Minn. — The Twin City Bond Club has elected the following new officers: Carl J. Kall, First National Bank of Minneapolis, President; Paul E. Matsche, Paine, Webber, Jackson & Curtis, Vice-President; Kenneth C. Joas, Smith, Barney & Co., Secretary-Treasurer; Fred Goth, Irving J. Rice & Co., St. Paul, William Ritt, Merrill Lynch, Pierce, Fenner & Beane, James E. Kingel, Juran & Moody, Inc., St. Paul, governors.

Carl J. Kall

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Problems of Annual Wage Guarantees

nomic insecurity of workers through legislation. While extremely limited measures, such as the permanent public works proposals and various employment stabilization schemes were considered during the '20's, no concrete legislation was ever taken up in Congress until after the 1929 crash.

In 1932 a Wisconsin law placed a tax on employers for an unemployment benefit fund, but remitted the tax on those who established employment guarantees. With this inducement, 96 wage guarantee plans were put into effect in Wisconsin, but all were discontinued when the tax remission feature was modified to conform with the Federal unemployment insurance law. Various minor legislative provisions purporting to encourage wage guarantees were adopted by six other States but without any appreciable results.

A provision was included in the Fair Labor Standards Act of 1938, establishing minimum rates of pay and overtime requirements for workers whose employment is limited to interstate commerce, exempting from overtime pay requirements employers who enter into an agreement with a union to guarantee work on a semi-annual or annual basis. This provision, despite some liberalization in 1949, has failed to bring forward any substantial response from employers with only a few dozen firms, mostly in the highly seasonal industries, taking advantage of the provision. The FLSA provision relates more closely to the so-called constant wage type of plans than the genuine annual guarantee since it forces savings by workers and provides compensation for time not worked out of their own earnings.

The upturn in employment brought on by World War II temporarily diverted attention from problems of employment insecurity. As early as in 1943, however, there arose anew an increased concern over the hardships of possible layoffs. In an article in April, 1945, President Green of the American Federation of Labor, stressed that the annual wage could in some industries serve as a workable means of stabilizing wage income and contributing valuably to general economic stability.

One of the demands for an annual wage guarantee, that of the CIO Steelworkers on the steel industry, was taken to the War Labor Board, and although the Board denied it on the ground that the subject required more study, it recommended to President Roosevelt that such a study be undertaken by a special commission. The President thereupon initiated such a study to determine the extent to which wage guarantees could serve as a means of stabilizing employment and regularizing production.

The resulting monumental study by Murray W. Latimer, brought out by the Office of War Mobilization and Reconversion in early 1947, favored adoption of wage guarantee plans, and recommended that such guarantees be coordinated with unemployment insurance.

However, this Government-sponsored study and other analyses published during this time did not bring about any substantial advance in collectively bargained wage guarantees. General demands for such guarantees were pressed by a number of unions but with scant success. In the meantime, the wartime experience with wage stabilization helped to shift emphasis on the problems of worker disability and retirement. Since that time there has been a broad expansion of negotiated pension plans and health and welfare benefits.

Today, the existing wage guarantee plans cover only a small fraction of wage earners. A survey in 1952 by the Bureau of Labor Statistics of some 2,600 collective bargaining agreements found that less than 1% contained annual wage guarantee provisions. A number of additional plans have recently been negotiated, the most notable being those obtained by the A. F. of L. Teamsters at warehouses and other firms in St. Louis and the guarantees negotiated by A. F. of L. affiliates with sugar refining companies in Philadelphia. The CIO Steelworkers have kept alive the demand for guarantees, but these were dropped in the 1952 agreement. The UAW-CIO has placed foremost emphasis on the wage guarantees and is preparing to press the demand for them.

With the halt in Korean hostilities and uncertainty in the employment outlook, there has been a renewed union interest in the annual wage. In most instances, the activity of unions emphasizing it is in preparatory stages.

Methods of Wage Payment

In an economy so heavily relying on the availability of qualified labor, it is indeed an anachronism that the bulk of the wage earners receive compensation on an hourly basis. "Hourly-rated" employees predominate in most industrial employment. Where piece-rate and incentive systems are in effect, they are still anchored to the amount of work performed by the hour. Repeated attempts have been made by industrial workers to place compensation on a weekly basis. For example, A. F. of L. Amalgamated Meat Cutters in Philadelphia had an early success in negotiating a guaranteed 36-hour week. Many other unions at various times have negotiated contracts providing for wage guarantees covering weekly, monthly or longer periods. These, however, have been the exception rather than the rule. Most industrial workers have no assurance of being paid for more than the actual number of hours of work they are called upon to perform with usually little or no notice of work termination.

In the case of white-collar workers and government employees, compensation may run on a weekly, bi-weekly, or monthly basis. In practice, however, the difference from the standpoint of economic security is not very substantial. There are many instances where a clerk, employed by the week, may be paid only a portion of the weekly salary if he was employed only one day during that week. There is thus no real correlation between the basis of compensation and the length of the pay period.

The salary of government employees, executives and some others is usually stated in annual terms. This doesn't carry with it the assurance, however, that compensation will be continued throughout the year. In corporate practice it is the top executive who has a relatively fair assurance of an annual basis of his tenure and compensation.

Bargaining Problems

Annual wage guarantees may be appropriate in some industries and unsuitable in others. As the A. F. of L. President Meany has already pointed out, an employer, who has no assurance of the future volume of business is ill-equipped to underwrite a wage guarantee to his workers. In highly irregular, unstable or casual forms of employment annual guarantees are obviously impracticable and have not been sought by unions.

There has been considerable experimentation over a period of years with arrangements designed to establish an annual basis of compensation in building and construction. Some of these experiments carried out with active support of building and construction trade unions were undertaken under the best conditions obtainable, such as large-scale housing projects. Despite these conditions, the staggering of the crews from the foundation digger to the painter, with the steady movement of each skill to the next successive stage, proved to be impractical and uneconomical. The building and construction workers have since concentrated their efforts on the methods designed to strengthen the construction season, to make work possible under adverse weather conditions, and otherwise to lengthen the span of gainful employment during the year. They generally regard the annual wage guarantees as unsuited.

An attempt to bridge the seasonal gap in employment through wage guarantees may or may not be successful, depending on the nature of the plan, the amount of financing allocated to it, and the adequacy of reserve funds. The feasibility of the guarantee plans is the greatest in industries and businesses where business planning for production is on the annual basis.

The proposal for the guaranteed annual wage in the automobile industry advanced by the A. F. of L. in 1934 was based entirely on the proposition that most auto manufacturers lay down for a year ahead plans for the procurement of materials and financing, scheduling their production accordingly. We argued that, if an automobile company finances the use of materials, machinery, and the plant on the annual basis, it should also be able to place the employment of workers on an annual schedule.

It is notable that resistance to annual wage guarantees seems to be the greatest in the areas of employment where they seem to be most feasible. It is interesting also that while several large corporations, including General Electric and General Motors, experimented with the annual guarantee on their own initiative in the past, they now vigorously denounce it when the plan is brought forward as a union proposal.

It is widely agreed that an annual guarantee should be "tailored to fit" the individual situation, but there are few tailoring standards and little agreement as to what makes a good individual fit. This lack of definitive patterns will no doubt encourage industrial study of problems involved and better informed collective bargaining.

Another bargaining problem is the relation of guarantees to other means of worker protection against layoffs. Among a variety of safeguards, dismissal or layoff pay plans, previously mentioned, are already in effect in a large number of companies. They contain in them an important phase of the annual wage guarantee approach.

Assuming there is some disposition on management's part to consider a wage guarantee, there are likely to be major differences over the kind or character of the guarantee. Management will naturally tend to restrict and trim guarantee provisions to minimize potential costs.

Unions will have to weigh the acceptability of various types of restrictions in the light of the goal of greater employment stability. They will have to determine how far a guarantee may be qualified without washing away its value as at least a worthwhile start.

Allowance should be made for the fact that conscientious and imaginative re-evaluation of existing practices should lead to some stabilizing innovations to help reduce possible expense of a guarantee. And there must be taken into account that any expense will also be offset by economies gained from reduced labor turnover, from more efficient use of capacity permitted by regularized production, and from such other by-products as improved employee morale and productivity.

As to the restrictions, how large a proportion of workers, if any, should be excluded from coverage? The answer is all-important. No matter how liberal a plan may be otherwise, it hardly offers the necessary protection if it is confined only to the portion of the work force already enjoying work stability. Management tends to restrict the guarantee to that percentage of the work force which has been retained in the most depressed period in the company's history. A guarantee so restricted does little more than acknowledge the existing stability—and it provides neither aid to the large number unprotected against layoffs nor added incentive for management to provide greater work stability than in the past.

A guarantee so limited provides stability for one part of the work force only at the price of aggravating insecurity of the remaining workers.

Other areas of possible limitation are the amount of work to be guaranteed and the size of payments to be made when work is not available. Some unions are more favorably disposed to an alternative restriction which would limit the financial liability of the employer to a specific cents-per-hour payment to a guarantee trust fund.

Management may also seek a clause to excuse it from guarantee requirements when work shortages are the result of certain emergencies. The problem of union negotiators is to avoid the drafting of an escape clause so wide that it deprives the guarantee of value when the workers need it most.

Another problem is administration. Who will decide questions of eligibility? Experience under the unemployment insurance program has demonstrated that restrictive administration of eligibility rules can greatly undercut a plan's value. Union participation in administration may be necessary if advantages of a plan are not to be dissipated.

A related question concerns the type of work which would be guaranteed. Shall the guarantee apply to the employee's regular work or may he be transferred to any other work? If he may be transferred, is he to be paid his normal wage or may he be paid a lower rate of pay if the transfer is to lower-paid work? It is easy to see that a policy which stresses indiscriminate transfers could quickly wipe out long-established union work standards.

Protection of Work Standards

This raises squarely a problem which requires more emphasis. Unions must recognize that the mere labeling of a plan as a wage guarantee does not automatically make it worthwhile. Some guarantee provisions might very well mean a cutback in existing working standards.

A guarantee plan which in effect merely divides wages equally over a year to cover periods of employment and unemployment is not a satisfactory guarantee but rather a diminution of wage standards. A deferring of payment of wages earned one week to another week, without an assurance of a specific number of weeks of work, is only a wage-advance or forced-savings policy. Similarly, plans which provide for guarantee of wages which fluctuate with the company's sales volume can be exceedingly dangerous because they permit an undermining of reasonable and dependable wages.

In striving for the very real contribution which an annual wage guarantee can make to necessary employment stability, unions must be ever mindful of the danger that a guarantee may become an end in itself rather than one means of achieving greater stability. Annual wage guarantees should not be negotiated at the price of concessions far out of proportion to their likely value or at the risk of abandoning hard-won union wage and other employment standards.

The Role of Wage Guarantees in the Economy

We have seen that annual wage guarantees are a device for enhancing the worker's security suitable in some types of employment and inappropriate in others. It is clearly only one of the forms of private action which can enhance employment stability and worker security. It is not a panacea for eliminating income insecurity caused by either seasonal or cyclical fluctuations.

Unemployment compensation is the proper means of providing the necessary minimum of economic security to workers subjected to unemployment. The present multiplicity of unemployment compensation systems with their highly variable standards makes unemployment insurance pitifully inadequate. The vicious merit rating provisions forced by large corporations into general acceptance has brought about an unfair and uneven distribution of the cost load among employers.

Annual wage guarantees are not a substitute for unemployment insurance. While wage guarantees can quite appropriately supplement unemployment compensation, they should not impair the unemployment insurance system. A worker must be paid unemployment benefits under the national law as a matter of right and not through the employer's beneficence exercised at the employer's choice.

In the same way, unions' concern in annual wage guarantees must not divert them from the fundamental problem of developing a combination of public and private policies which alone can assure employment stability throughout the economy and maintain lasting prosperity.

Tiemann Retires

Louis S. Tiemann, who has been associated with the private banking firm of Brown Brothers Harriman & Co. as a senior executive retired on December 31 after a career in the commercial and banking community extending over the past 65 years.

Mr. Tiemann entered upon his business career in 1888 with the firm of Carleton & Moffatt — shipping and commission merchants dealing principally with the Far East.

He was a partner in that firm from 1900 until 1916 when he joined the American Exchange National Bank to organize the foreign department. Subsequently he also organized the foreign department of the Second National Bank of Boston. When the American Exchange National Bank was merged with the Irving Trust Company, Mr. Tiemann continued with the latter as Vice-President until 1930 when he joined some of his former associates in the present firm of Brown Brothers Harriman & Co.

Mr. Tiemann was closely identified with the development of the dollar acceptance market in this country following adoption of the Federal Reserve Act, and is an outstanding authority on commercial letters of credit.

F. I. du Pont & Co. Opens New Branch

SACRAMENTO, Calif. — The opening of an office in Sacramento, Calif., has been announced by Francis I. du Pont & Co., members of the New York Stock Exchange and other leading security and commodity exchanges. This is the firm's sixth office in California, following closely on the opening of an office last month in Bakersfield. Others are in Los Angeles, San Francisco, Pasadena and Beverly Hills.

Francis I. du Pont & Co. maintains 31 domestic offices, with 12 in the New York area, and others in major cities here and abroad. Eighteen of its offices have been opened since World War II.

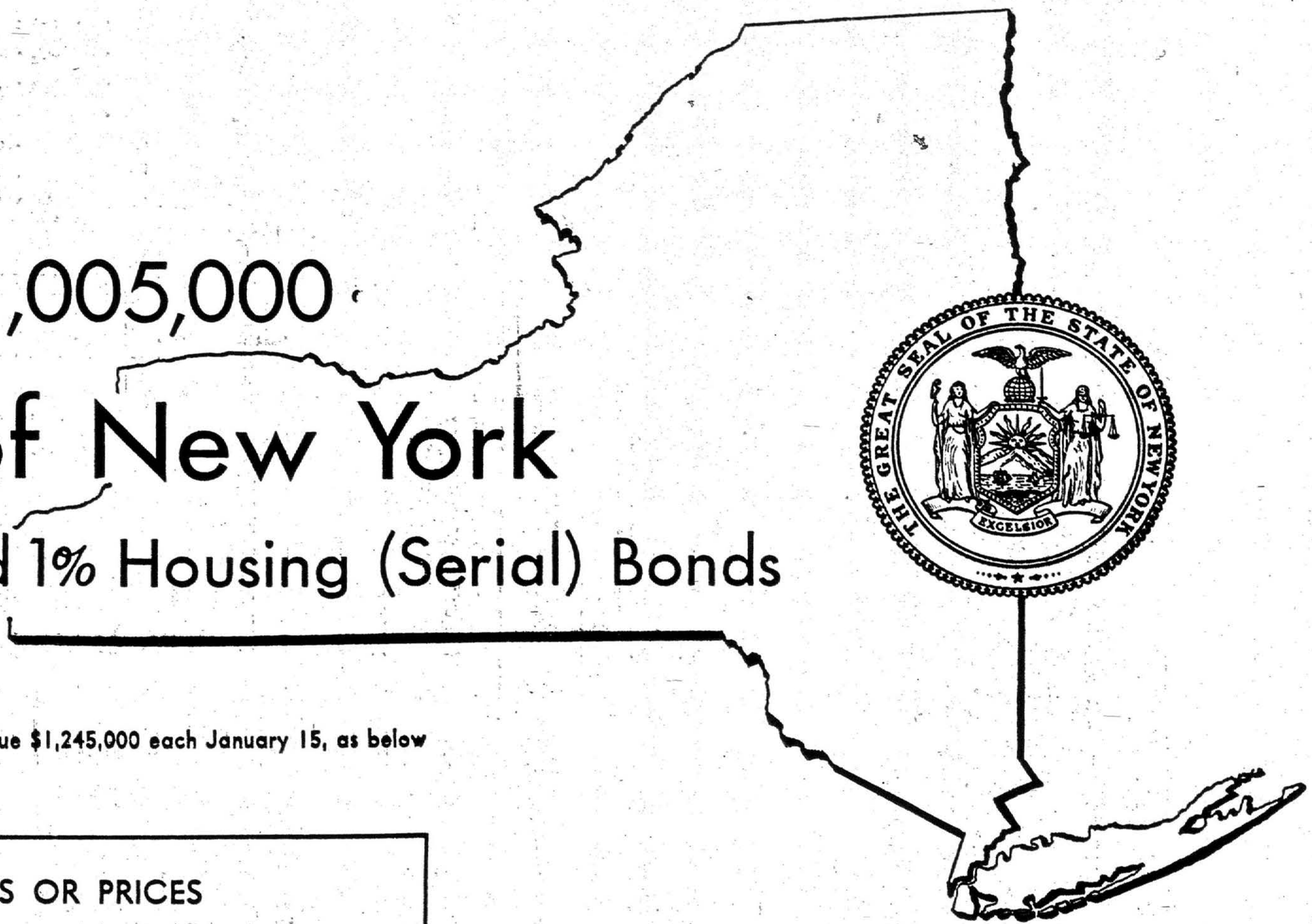
Midwest Exchange Member

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange has elected to membership: Edward J. Mellen, Jr., Joseph, Mellen & Miller, Inc., Cleveland, Ohio.

F. Schoen Transferred

Hirsch & Co. announce that Fred Schoen, Associate Manager of the firm's 7th Avenue office, has been transferred to the main office at 25 Broad Street, New York City.

New Issue



$61,005,000

State of New York

4%, 2½%, 2.60% and 1% Housing (Serial) Bonds

Dated January 15, 1954

Due $1,245,000 each January 15, as below

MATURITIES, COUPON RATES AND YIELDS OR PRICES

(Accrued interest to be added)

Due	Rate	Yield	Due	Rate	Yield	Due	Rate	Yield or Price
1956	4%	1.10%	1966	4%	1.75%	1976	2½%	2.20%
1957	4	1.20	1967	4	1.80	1977-78	2½	2.25
1958	4	1.25	1968	4	1.85	1979	2½	2.30
1959	4	1.35	1969	4	1.90	1980-81	2½	2.35
1960	4	1.40	1970	4	2.00	1982-83	2½	2.40

Interest Exempt from present Federal and New York State Income Taxes

Legal Investment for Savings Banks and Trust Funds in New York and certain other States and for Savings Banks in Connecticut and Massachusetts

Acceptable to the State of New York as security for State deposits, to the Superintendent of Insurance to secure policy holders, and to the Super-

...intendent of Banks in trust for Banks and Trust Companies

1962	4	1.55	1972	2½	2.00	1986-88	2½	@	100
1963	4	1.60	1973	2½	2.05	1989-91	2½		2.55%
1964	4	1.65	1974	2½	2.10	1992-93	2.60	@	100
1965	4	1.70	1975	2½	2.15	1994-98	2.60		2.65%

1% Bonds due 1999-2004 not reoffered.

Redeemable, at the option of the State, at par and accrued interest, on January 15, 1994, or on any interest payment date thereafter, all such bonds then outstanding, or all of the bonds of a single maturity beginning in the inverse order of their maturity.

Principal and semi-annual interest (July 15 and January 15) payable in New York City at the Bank of the Manhattan Company. Coupon bonds in denomination of $1,000, exchangeable for bonds registered as to principal and interest in denominations of $1,000, $5,000, $10,000 and $50,000. Registered bonds may be converted into coupon form at the expense of the holder.

The above Bonds are offered when, as and if issued and received by us, and subject to prior sale and approval of legality by the Attorney General of the State of New York. It is expected that Interim Certificates will be delivered in the first instance pending preparation of Definitive Bonds.

The Chase National Bank — Bank of the Manhattan Company

Kuhn, Loeb & Co. — Hallgarten & Co. — C. J. Devine & Co. — Blyth & Co., Inc. — Barr Brothers & Co. — R. W. Pressprich & Co. — Salomon Bros. & Hutzler — Ladenburg, Thalmann & Co.

Chemical Bank & Trust Company — Blair, Rollins & Co. Incorporated — Kidder, Peabody & Co. — The Marine Trust Company of Western New York — Manufacturers Trust Company — The Northern Trust Company — Harris Trust & Savings Bank

Bear, Stearns & Co. — Equitable Securities Corporation — Estabrook & Co. — Hemphill, Noyes & Co. — Hornblower & Weeks — Kean, Taylor & Co. — Manufacturers & Traders Trust Company Buffalo

Mercantile Trust Company St. Louis — F. S. Moseley & Co. — The Philadelphia National Bank — Shields & Company — Stone & Webster Securities Corporation — White, Weld & Co. — A. C. Allyn and Company Incorporated

B. J. Van Ingen & Co. Inc. — Geo. B. Gibbons & Company Incorporated — Reynolds & Co. — L. F. Rothschild & Co. — Schoellkopf, Hutton & Pomeroy, Inc. — Adams, McEntee & Co., Inc. — Bache & Co.

A. G. Becker & Co. Incorporated — First of Michigan Corporation — Laurence M. Marks & Co. — Chas. E. Weigold & Co. Incorporated — Francis I. duPont & Co. — Fidelity Union Trust Company Newark — W. E. Hutton & Co.

Carl M. Loeb, Rhoades & Co. — W. H. Morton & Co. Incorporated — The National Commercial Bank and Trust Company of Albany — State Bank of Albany — Swiss American Corporation — R. L. Day & Co.

Hannahs, Ballin & Lee — The Public National Bank and Trust Company of New York — Schwabacher & Co. — Weeden & Co. Incorporated — William Blair & Company — Julien Collins & Company

Green, Ellis & Anderson — Wachovia Bank and Trust Company Winston-Salem, N. C. — Goodbody & Co. — Gregory & Son Incorporated — Hayden, Miller & Co. — Schmidt, Poole, Roberts & Parke — J. G. White & Company Incorporated

New York, January 7, 1954.

Securities Salesman's Corner

By JOHN DUTTON

Plan 1954 on Facts.

Successful sales organizations in other lines of endeavor than in the retail securities business analyze markets before they make their larger efforts on a national or international scale. They know what their sales problems are and they plan accordingly. They also know what their salesmen are capable of accomplishing and the proportions of advertising in different media that must be used to bring about maximum acceptance of their product.

If you look upon your own market and your own prospect list in the same light you can also analyze the results accomplished in 1953 so that the new year's work will be more productive. You can find out where you were WEAK and where you were strong—and you can build up your weak points. This will bring better results in 1954 if you follow through. Let us be specific.

Check Up on These Items

How many sales did you make in 1953? Count the actual sales, possibly you had too few sales, or too many, to justify your total gross. If so, try and discover the reason. If too few sales, maybe you did not make enough contacts, or your prospecting was weak, or you spent too much time on "glass eggs" that could not be hatched. If you have kept a record of contacts made, a comparison of sales to calls will show whether or not your ratio of sales to calls was satisfactory. If you have not done this you will at least know the number of sales that you completed—this is the first step in the analysis of your 1953 results.

How much gross commissions did you produce? Divide your total "gross" by the total sales made. This will show how much you made on an average sale. The more you can average on each transaction the higher your earnings will be in 1954. Possibly you will find that you had a high average of profit per sale—this is good. Some men have a very low average. They have to make too many sales to produce a satisfactory income. This business is less profitable to them and to their firm. If your average gross per sale was $50, then by bringing it up to $100, you can double your income. Possibly you could use some larger accounts in order to bring up your average commission earned per sale. If so, then here is a weak spot that can be strengthened in 1954. An analysis will disclose the situation.

How many customers repeated? How much of your business consisted of one time transactions? How many customers bought twice, three times, or more often? Are you building a clientele of regular investors or single shot buyers? If the latter, possibly you are not following up your customers properly, or you may not be wearing well with them. The only clients that are profitable are those who can be followed by mail, telephone, and an occasional personal visit. If you have to continually break new ground there is a loss of productive sales efficiency somewhere that should be corrected.

Where did you make your money? How much of your business was in municipals, mutual funds, syndicate, trading, and listed items? If you are doing too much in some particular field and not enough in another, possibly you could increase your income by adding some more profitable types of securities. I once knew a good salesman who overlooked the possibility of profit in handling local securities where there was a long profit. He had quite a few customers who were buying local issues and bank stocks from a competitor because he never suggested them to his own clients. He increased his income several thousand dollars a year by discussing this phase of his business with them.

Record keeping can help you to do a better selling job. If you know where you obtained your business, what you sold, and you can find a way of increasing your selling efficiency, then spend a few hours going back over 1953's results and see for yourself just how good you were. You may be surprised with what you can discover.

Next week we will take up some facts concerning the proper analysis of an individual salesman's value to his firm. In the world of sports they pick the most valuable player on the team, or in the league. Sales organizations also have their most valuable men—and the FACTS will show it.

Blanchett, Hinton & Jones, Inc. Formed

SEATTLE, Wash. — Frederic J. Blanchett, Donald W. Hinton, and Jack E. Jones, announce the formation of Blanchett, Hinton & Jones, Inc., to do a general business in investment securities and commercial paper, with headquarters in the 1411—4th Avenue Building.

Jack E. Jones

Mr. Blanchett has been associated with the predecessor organization of J. R. Williston, Bruce & Co. and Conrad, Bruce & Co. since 1914, and Mr. Hinton since 1921. Mr. Jones was President of Hartley, Rogers & Co. when that firm sold out to Walston & Co. in 1950, and resigned his post as Resident Manager of the Seattle office of Walston & Co. in September of 1953, to join the new organization.

All three principals have been members of the District Committee of the National Association of Securities Dealers, both Mr. Blanchett and Mr. Hinton having served as Chairman of District No. 1. Mr. Jones is a past officer of the National Security Traders Association and was Chairman in 1953 of the Seattle Educational Committee of the National Association of Securities Dealers, which sponsored an investment course in conjunction with the Seattle Public Schools, which more than 600 people attended last Spring.

Arthur Ochsner, who has been associated with the predecessor organizations of J. R. Williston, Bruce & Co. and Conrad, Bruce & Co. for over 25 years, is joining the new organization in an executive capacity, as well as Harold S. Yoe, formerly with Walston & Co. William Baird will be in charge of the firm's trading department, and Mrs. Alice Jennings, Assistant Secretary, will head the accounting department.

The new firm will join the private wire system of Joseph McManus & Co. of New York, members of the New York Stock Exchange and other principal exchanges. This wire system links together 25 dealers in 24 cities throughout the United States and Canada.

John P. Hartz Opens

BALTIMORE, Md. — John P. Hartz has opened offices at 2905 North Charles Street to conduct a securities business.

Continued from page 3

A 1954 Forecast for Railroad And Rail Equipment Shares

of each security did not necessity coincide with the highs established by the averages so that the above results do not indicate the maximum appreciation of each of the individual issues mentioned.

Two questions may now be properly asked—Why did railroad equities enjoy such startling appreciation and what is the longer term outlook for railroad securities?

Industry's Improvement

In answering the first of these two questions it should be emphasized that financially, the industry has experienced a substantial improvement in the past two decades. Total debt of the Class I carriers has declined from over $11 billion in 1930, to less than $9 billion currently, with almost $3 billion now in the form of equipment obligations which are self-liquidating from cash generated from depreciation of equipment. And be it noted, still further improvement will be recorded as equipment obligations run off coincidental with the almost certain decline over the next several years of capital expenditures for new power and new freight cars, and with non-equipment obligations being automatically reduced by the operation of sinking funds on such railroad bonds sold or refunded since mid-1940.

Already fixed charges have declined from $700 million in 1930 to around $450 million currently. Such charges now absorb only 4% of gross revenues as contrasted with from 15% to 18% required to service the industry's debt for most years during the depression '30s.

Accompanying the decrease in debt and fixed charges has come a marked improvement in the industry's financial position. As compared with working capital of only $500 million throughout the 1920's, and $200 million throughout the depression '30's, present net current assets of the Class I railroads are now almost $1.5 billion. Such working funds are equivalent to 3⅓ years current fixed charge requirements, whereas in the 1930's they were equivalent to but four months of such requirements.

One further item need be stressed in reciting the progress made by the industry over the past decade. Cumulative benefits arising from the expenditure of some $9 billion since V-J Day—primarily for new diesel power—have enabled the industry to maintain a high degree of earning power despite increases in wage rates and in wholesale prices far greater than freight rate increases obtained from the regulatory authorities. This is indicated by the following table:

	Net Earnings Class I Railroads $ Million	INDICES: 1940=100 Hourly Wage Rates	1947-49=100 Wholesale Prices All Consolidated*	1940=100 Freight Rates Ton Mile
1946	$287.1	153	79	103
1947	478.9	160	96	114
1948	698.1	179	104	132
1949	438.2	195	99	142
1950	783.6	213	103	141
1951	692.9	236	115	141
1952	824.5	249	112	151
1953 (est.)	925.0	253	110	158

* Federal Reserve Bulletin

Having attempted to give reasons for the superior performance of railroad securities vis-a-vis the majority of industrial equities, including those groups most favored by institutional investors, we may now turn our attention to the answer of the more difficult, yet all important question—What is the longer term outlook for rail securities as of this moment?

Current Outlook

Today virtually all railroad managements agree that individual properties are in the best physical condition in their history and that operating efficiency of most railroads has been restored following the rapid increase in costs immediately following the end of World War I. Transportation ratios of Class I railroads, which during the late 30's averaged 37.5%, and which during the war period declined to around 30%, subsequently rose to 40% in the immediate postwar period. Since then, such ratios have steadily declined so that for the latest 12-months period transportation ratio again stood at a satisfactory 35.9%. In fact, transportation ratios of the more efficient railroads are now below 30%. Additionally, most operating statistics, particularly gross ton miles per freight train hour, are now highest in the industry's history.

Admitting that a large portion of railroad costs are relatively rigid, there is reason to believe that the industry is in a position to adjust its maintenance costs downward, especially as they have been relatively high in recent years. An extreme illustration of adjustment of maintenance expenditures in a period of sharp decline in gross revenues is that of the Reading in the period 1929 to 1940. As compared with average expenditures for maintenance of way of $14 million, and maintenance of equipment of $22 million in the 20's, the Reading reduced such expenditures to an average of $4.65 million and $10.74 million respectively in the 30's. After displaying extraordinary ability in controlling costs, the company began to expand its maintenance expenditures so that during the war period such expenditures rose to around $17 million and $22 million respectively, or to levels approximating those of the late 1920's. In recent years they have risen far above those levels, to a new peak averaging better than $19 million and $26 million respectively, which suggests a condition comparable to the 1920's, where a sharp contraction can take place if necessary. Therefore, it seems reasonable to expect in the event of a 10% decline in gross revenues in 1954, more railroad managements can now imitate the experience of the Reading over the past two decades and pursue a flexible maintenance program.

An opportunity for contraction of expenditures somewhat comparable to a cut back in maintenance is afforded through budgetary controls. In the 20's and 30's, budgetary controls were relatively unknown. Today railroad managements have the accounting tools for closely adjusting expenditures to fluctuations in gross revenues. An excellent illustration is the experience of Baltimore & Ohio. In contrast to a series of monthly deficits of $2 million each in the early part of

1938, a year in which general business was suffering from a severe contraction of inventories, earnings of Baltimore & Ohio in June, 1952, exceeded $1 million, and in July of that year exceeded $550,000 even though contraction in business volume during the 40 day steel strike was equal to that of 1938 in severity. Intelligent application of budgetary controls in ironing out extreme fluctuations of railroad earnings cannot long be ignored by institutional investors, provided all railroad managements can duplicate, over the entire liquidating phase of the cycle, the over-all results achieved by the Baltimore & Ohio in the relatively brief period of the 1952 steel strike.

Parenthetically, it should be emphasized that through budgetary controls, through improvement of service on segments which can be profitably developed and abandonment of such segments as are no longer profitable, the railroads may yet succeed in reducing passenger losses of over $600 million (as measured under the ICC formula, and of slightly over $300 million as measured on an out-of-pocket basis) to more nominal proportions. Higher mail and parcel post rates, higher rates arising from a new Railway Express contract and greater liberality by State Commissions in permitting carriers to abandon non-profitable trains, all play a part in minimizing the financial drains experienced by most carriers in their passenger operations since the end of World War II.

Last year (1952) when speaking before this group in Chicago, it was pointed out that the political climate was becoming increasingly favorable to railroads. It was expected that the so-called "rate-lag" bill, allowing railroads to adjust freight rates within a period of 30 days — since increased to 60 days—would pass at that session of Congress. We remain hopeful that a more or less similar bill will pass at this session and that because of the changed composition of the Interstate Commerce Commission, three new members having been appointed within the past year, and two new members the year before, that the railroads may be allowed to coordinate their truck operations more closely with railroad operations than heretofore.

Because of the likelihood of better control of expenditures there is every reason to believe Class I earnings can be maintained at levels well above those established in the 30's. As we see it, should the Federal Reserve Board index of industrial production decline to an average of 215 for the entire year 1954 (estimated average for 1953—235, monthly peak 243 in March, with preliminary for October — 232) railroad earnings are probably not likely to decline below $700 million as compared with an estimated $925 million in 1953. Were the Federal Reserve Board index to decline to an average of 190, we would still expect Class I net earnings to be maintained at around $600 million, the latter being equivalent to almost twice current dividend disbursements. Since the fortunes of individual railroads have varied sharply since V-J Day, continued selectivity is necessary in singling out equities most favorably situated in the period we envisage. Equition are those of railroads with low wage and transportation ratios and located in the growth areas of the country.

Optimistic Official Predictions

These conclusions are seemingly buttressed by the optimistic predictions of numerous railroad presidents. The chief executive of one of the leading Eastern railroads has tentatively projected 1954 earnings at 16⅔% less than those of 1953, in the face of a possible 8% decline in gross revenues. This is somewhat less than our own projections of a 24% decline in the higher of our two estimates. Likewise in recent weeks the presidents of such important railroads as the Santa Fe, Illinois Central, Louisville & Nashville and Chesapeake & Ohio, have all expressed confidence that net earnings of their respective railroads would hold up relatively well in 1954.

So despite admittedly numerous near-term adverse factors, I would not conclude this address on a pessimistic note, especially as railroads are now entitled to be regarded as many other industries with overall results sensitively dependent upon the strengthened ability of individual managements in adjusting to changing conditions. I confidently expect that budgetary controls, maintenance cutbacks and more efficient operations resulting from cumulative benefits of some $9 billion of capital expenditures made since V-J Day, will maintain 1954 earnings of the Class I railroads at between $600 and $700 million, dependent upon the severity of the business adjustment facing us. I might say that I share the views of the President of New York Central in addressing the IBA Convention in Hollywood, Fla., earlier in December, when he, Mr. Wm. White, stated, "I feel that greater and more general optimism about the railroads . . . is justified by the realities of the situation."

At the same time, however, I am mindful that for the purpose of continuance of the dynamic upward trend in railroad equities inaugurated in 1942, a new group of investors must be found. Pension funds, life insurance companies, savings banks, mutual funds, all of these require liberal yields. In fact, these institutions can find no other major segment where yields are so liberal as in the railroad portion of the securities markets. Accordingly, until these institutional investors enter the market on a reasonably large scale it may well be that the best one may expect over the near-term, marketwise, is that railroad equities will be spared the liquidating waves such as engulfed all issues alike both in 1938, and again in 1941. Perhaps a favorable performance in 1954 in the face of admitted obstacles will at least provide the needed building stone for erection of a structure to establish investment confidence in the industry.

We are confident that because of the improved fundamentals emphasized herein that after a lapse of 15 years or more, institutional investors will once again reenter the railroad market. Such purchases may well follow a relatively long period of market indecision, but when this demand does make its appearance, it may well serve to spark another major market leg in the long road toward ultimate restoration of railroad credit to its former high estate.

Joins Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Roberto S. Martires is now affiliated with Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges. He was previously with Davies & Co.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Initial reports on 1953 earnings of banks throughout the country have been very favorable. In most instances operating profits reached new records and were considerably above the levels of recent years.

Not all of the major institutions have published operating reports up to the present time. Others have released preliminary figures to the press. In other instances only statements of condition at Dec. 31, 1953 are available. However, from such information the pattern of earnings can be determined.

Among the larger institutions reporting operating results, all showed a favorable gain in net earnings. The dominant factor contributing to this improvement was a sharp increase in interest on loans. This was the result of a combination of a higher average loan volume and an increase in the rate of return earned from such loans.

Income from security holdings was well maintained and in some cases higher, even though the total of such investments averaged lower for the period. Once again this was primarily the result of the better level of interest rates obtainable during the year. Also a number of banks reported sizable gains in income from trust and service functions.

In all, the gain in gross earnings for the year was substantial.

Operating expenses, following the trend of recent years, increased. Wages and salaries reflected larger payments and increased interest on time deposits also helped account for the larger expenses.

In spite of the gain, however, earnings before taxes were substantially higher. As with earnings, taxes reflected the record volume of business. In some cases large losses on security transactions reduced the impact but with few exceptions the tax bill absorbed a large part of the gain in operating results.

Even so, practically all of the banking institutions were able to report increases in operating earnings with the gains varying around 5% and and 10%.

For those institutions where condition statements have been published and indicated profits can be determined, the trend has also been towards improved results. In these cases, however, the impact of security transactions this year are more apparent.

Last year — 1952 — most of the major banks were able to show profits on security transactions. The decline in the bond market in 1953 caused large losses for all banks and because of the tax position, it was advantageous to establish losses. This many banks did in an attempt to reduce the impact of taxes. In so doing, however, the security losses incurred lowered the level of earnings transferred to undivided profits and, in turn, the indicated earnings for the year. Such transactions did not affect all banks equally but were conspicuous in a number of instances and accounted for the level of indicated earnings as determined by changes in book values and dividend payments.

In the tabulation below the operating earnings of the large banks throughout the country are shown when they have been reported. Security profits or losses or recoveries are not included in these figures. In cases where operating results are not yet available, the indicated profits are shown.

The banks outside of New York report earnings which are not entirely comparable with the other totals as they are generally a net figure after reserves and other adjustments.

As can be seen from the tabulation, however, practically all comparisons on a year-to-year basis are favorable.

	Operating Earnings	
New York City:	1953	1952
Bank of Manhattan	$2.70	$2.52
Bank of New York	31.76	29.24
Bankers Trust	4.17	3.97
Chemical Bank	†3.98	†3.60
Corn Exchange	5.25	4.71
First National	23.75	22.53
Guaranty Trust	†4.30	†4.79
Hanover Bank	†7.42	†6.99
Irving Trust	1.73	1.63
Manufacturers Trust	5.81	5.31
Morgan, J. P.	†19.65	†17.91
*National City	4.17	3.83
New York Trust	9.01	8.70
Public National	†4.15	†3.64
U. S. Trust	21.66	20.13

*Includes City Bank Farmers Trust.
†Indicated earnings.

Outside New York:		
Bank of America	2.31	2.10
Continental Illinois Nat'l	7.94	7.12
First National (Chicago)	16.85	16.49

J. E. Jardine With Staats for 50 Years

SAN FRANCISCO, Calif. — John Earle Jardine, dean of California investment men, is celebrating his 50th year with William R. Staats & Co. A testimonial dinner in his honor was given January 6 at the California Club in Los Angeles by partners of the firm.

John Earle Jardine

During his 50 years in business he has been closely identified with the tremendous financial growth of California and many of its largest industrial, public utility, real estate, school and civic enterprises.

He was born on Dec. 7, 1871 in New York City and there received his education and early business training.

A visit to California in 1892 impressed his so favorably that he returned the following year to Pasadena to live. On Sept. 14, 1893 he married Mary C. Peck, daughter of a pioneer California family, and had three sons, J. Earle Jardine, Jr., Douglas Jardine, Vincent Jardine, and one daughter, the late Mrs. Andrew J. Post of Connecticut.

His business activities in Pasadena commenced with the Pasadena Orange Growers Association, of which he was President and Manager during 1902 and 1903.

In 1904 Mr. Jardine became associated with William R. Staats in Pasadena and the following year was elected a Vice-President and director of William R. Staats Co. The same year he became a member of the Los Angeles Stock Exchange. He later served for 17 years on the Board of Directors of the Exchange, and was elected President in 1926, in which capacity he served until 1932.

In 1905 Mr. Jardine opened the Los Angeles office of William R. Staats Co. at 351 South Main Street, which was then the heart of the city's financial district. He was elected President of the firm in 1920 when illness forced Mr. Staats to retire from active business. In 1921 the firm moved into its own building at its present location, 640 South Spring Street.

Mr. Jardine remained as President of the firm until 1947 at which time he was made Chairman of the Board of Directors and Chairman of the Executive Committee, which positions he held until Oct. 15, 1951, when he became a general partner in William R. Staats & Co., a partnership succeeding to the business of the corporation.

Mr. Jardine was elected to the Board of Governors of the Investment Bankers Association of America in 1925 and served until 1928. He was a member of the Business Conduct Committee of I.B.A. from 1925 to 1927.

Mr. Jardine is prominently identified with many Southern California financial interests. Upon the retirement of Mr. Staats in 1928, Mr. Jardine was elected to the Board of Directors of the Union Oil Company of California which office he still holds. Other directorships now or previously held are: Pacific Finance Company, Pacific Mutual Life Insurance Company, Goodyear Tire & Rubber Co. of Calif., Consolidated Steel Corporation, California Consumers Corporation, Huntington Memorial Hospital Executive Committee and many others.

He has been active on the social and religious life of the community, having the following affiliations: Society of Colonial Wars, California Club, Sons of the Revolution, Bond Club of Los Angeles, Newport Harbor Yacht Club, Stock Exchange Club of Los Angeles, Valley Hunt Club, Athenaeum, Senior Warden of the Church of Our Saviour (Episcopal).

d'Avigdor Co. Offers Saaty Fuel Injector Corp. Common Stock

d'Avigdor Co., New York City, is offering 50,000 shares of common stock (par $1) of Saaty Fuel Injector Corp. at $5 per share "as a speculation."

The net proceeds are to be used for the following purposes in the order set forth: (1) Inventory increase, $17,000; (2) advance tooling, $25,000; (3) to retire $24,100 bank loan; (4) new plant installation, equipment, furniture and fixtures, $20,000; (5) engineering and tooling of V-Eight cylinder model, $25,000; (6) and the remainder for working capital.

The Saaty corporation was organized Sept. 29, 1948 in Rhode Island for the development of the Meteor Fuel Injector which replaces carburetors in automobiles, trucks and tractors. It is presently producing 400 of these injectors per month on an assembly and inspection basis, and plans to increase this output up to 2,500 units per month. The product has been tested both in the laboratory and on the road for over five years.

Banks and Company Is Formed in NYC

Morton M. Banks has announced the formation of Banks and Company with offices at 44 Wall Street, New York City, to act as wholesale distributors of mutual funds. Mr. Banks was formerly a partner in Banks and Holcombe.

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Unmasking the Mystery Of Foreign Trade

operations—tracing the parallelism, or lack thereof.

Today, it is well understood that labor saving devices better the standard of living of the nation, but it is also recognized that growing pains occur in making transitions. We know that many more people are gainfully employed in making automobiles than were "disemployed" making carriages. It is vaguely sensed, too, that a century ago most of human labor was needed to furnish adequate food. Now less than 17% are so employed. That is progress.

A Case in Point

Now let us suppose a manufacturer in Detroit has developed a gadget named "Static" and enjoys $1,000,000 a year in sales and also furnishes employment for 200 people.

Now again let us suppose a man in Billings, Mont., who has admired this gadget "Static," improves its construction by change of design using less material, makes better tooling for his fabricating processes and finds he can sell it at just half the price. He names the gadget "Dynamic."

What happens? The Detroit "Static" activity folds up and 200 people are disemployed. The Montana "Dynamic" organization employs 100 people, because half the people can produce the same goods.

There is a change in employment of 200 fewer in Detroit and 100 more in Billings, or a net national disemployment of 100 people.

However, the consumers of the nation, that is all of us, spend $500,000 less yearly for the purchase of "Dynamic" instead of "Static." This $500,000 will either be spent or saved. If spent, employment will be increased in other unrelated activities. If saved, it may find its way into investments or into housing, or if left in the bank, it will furnish a mortgage to some man who wants to build a house, but has only half enough cash. In any case, it creates employment.

As the net temporary disemployment is offset, or partly offset, the total standard of living is increased because more total goods and services are being produced.

The point could be made that "Dynamic," by cutting the price in half, would certainly increase the sales volume somewhat, but that fact can be ignored because it is not necessary in this analysis.

The preceding example is far more readily acceptable now than it was a generation ago. In fact, we have even progressed to the point where the recent G.M. labor contract, signed by the company and the union, says:

> "The annual improvement factor provided herein recognizes that a continuing improvement in the standard of living of employees depends upon technological progress, better tools, methods, processes and equipment, and a cooperative attitude on the part of all parties in such progress. It further recognizes the principle that **to produce more with the same amount of human effort is a sound economic and social objective.**" (Emphasis supplied).

That is real progress. Can anyone believe that we would have the highways of the present day if picks and shovels had been used instead of tractors and bulldozers?

I made the "Dynamic" example above as vivid as possible, creating total disemployment of the organization "Static." In actual practice, in a multiple product organization, only partial disemployment may ensue due to increased sales of other products.

Now suppose that the idea which occurred to the would-be Montana manufacturer occurred in Puteaux, France. Imagine that this Frenchman made the same device, and ignore, for the time being, the fact that his wages are probably a third of ours. He would name the device "Dynamique," and that is the only difference. He also finds that he can sell in the United States at one-half the price of "Static" and at a satisfactory profit to him.

What are the effects? As before, 200 are disemployed in Detroit and 200 in the nation instead of the former 100 disemployed.

Effects of Foreign Trade Same as in Domestic Trade

Identical with domestic competition, however, $500,000 a year is released for the consuming public with which to purchase other goods and services and $500,000 has gone to Puteaux, France, instead of to Montana. The $500,000 is no good to this Frenchman except for the purpose of buying American products, either by him or someone else to whom he sells the dollars for francs. He must sell these dollars for francs in order to maintain his own payroll. When the dollars come back to the United States to pay for exports by us, the circle is closed again, as it was in the domestic use of labor-saving devices or improved designs.

There is also another effect this transaction might have. It could decrease foreign aid to France by $500,000. This in turn would decrease domestic taxes, and so $500,000 would be available for increasing our standard of living.

I submit that these two cases are identical, with one reservation. If the rest of the world accumulated more dollars than it spent for American goods or services, then it could be harmful.

Production volume generated here to meet our domestic consumption is so much greater than in any other country in the world, that we can undersell most things manufactured in volume anywhere else, in spite of paying more for labor, because of the higher degree of tooling.

Our economy benefits because consumers can buy certain material from Puteaux for $500,000 less than they can buy domestically. They save $500,000 with a somewhat retarded return, possibly, of the $500,000 that went to Puteaux. If the return of the dollars is "retarded," it is an example of the same growing pains of readjustment that we noticed in our domestic improvement operation.

What about "cheap" foreign labor? It is evident that the transfer of business from Detroit to Puteaux will be caused **solely** by the fact that the Puteaux producer is **able and willing** to sell his gadget for only $500,000 to the American public instead of for the $1,000,000 domestic cost.

At one extreme, consider that the Puteaux employer has slave labor (rather fanciful for France!) but extremely poor tooling equipment. Or, at the other extreme, consider that he has much better tooling than that used by "Static." In the latter case he might even pay higher wages than Detroit and still have a profit. The true facts lie between these two extreme cases, **but** it has no influence on our decision to buy domestically.

In the television debate between Senators Douglas and Malone, the plea was made that tariffs be kept on imports equal to the difference in labor costs.

Twofold Plausibility of the Plea

The **plausibility** to this plea is twofold:

(1) Imports due to lower labor costs might completely close our producing activities in some one particular product. (This **did** actually remove "Static.")

To say that we must not replace "Static" by "Dynamique" is a case of sacrificing the maximum welfare of our entire domestic consuming group for the benefit of some one interest or group of interests. This is certainly not economically sound national behavior.

The last sentence needs one qualification, which would not be necessary if we lived in a war-free world.

We must not, through imports of such type or magnitude, permit our manufacturing facilities, skills and know-how, to decrease to a point which would be potentially injurious to us in a state of war.

In thinking the problem through though, we can be rather flexible. After all, for four years we got along, and not too badly, with relatively few new automobiles and many other "essentials."

(2) We might be so flooded with foreign products that we would come to a near economic standstill and ship out all our gold.

The ideal is to reach approximate equality between exports and imports for maximum economic health. The greater the volume of each, the better for all concerned. We have a long way to go in increasing imports to get such approximate equality.

The current "Trade Not Aid" proposal needs much more unimpassioned attention than it has received to date, particularly in Congressional circles.

David Ricardo, the Economist, demonstrated more than a century ago that any two separate economies could mutually benefit and each have a higher standard of living as a result of trading suitable goods.

Ricardo's principle is precisely the same as in the following fairy tale. As permitted in a fairy tale, the figures are exaggerated to simplify the arithmetic.

Instead of two economies, we have two individuals: Tom and Dick. Instead of speaking of the multitudinous products used by man, we will limit activity to carpentry work and bricklaying, so as to clear the fundamental principle involved.

Tom and Dick are accustomed to building houses, and each is good at both carpentry and bricklaying. They are just equal to each other in doing carpentry work, but Tom's output in bricklaying is phenomenal, being twice that of Dick's.

Each intends to build a house for use. The constructions are identical, thereby producing economy of cooperation. They estimate that each house needs 400 hours of carpentry effort and 400 hours of bricklaying effort in the case of Dick, but Tom can do his bricklaying job with only 200 hours of work.

If each builds his own house, Tom will spend 600 hours and Dick will spend 800 hours of effort.

Now suppose that Tom does the entire bricklaying job of both houses, but 100 hours only of his own house's carpentry. He will have spent 500 hours in labor instead of 600.

Further, suppose that Dick does his entire carpentry work, plus 300 hours of Tom's carpentry work. Then Dick will have put in 700 hours of work only instead of 800.

They have each saved 100 hours of labor.

That is the naked principle which is at work to everyone's mutual benefit in foreign trade.

The more we, as a nation, make use of this principle, the earlier we can enjoy either a shortened work week or a higher standard of living with the present work week.

The necessary monetary mechanism which we have to use in the actual operation complicates, confuses and lends plausibility to many fallacies. These fallacies are promulgated often with the utmost sincerity, or for the misguided protection of group interests to the detriment of the standard of living of the entire nation.

A Plea for Freer Trade

This is **not** a plea for **free** trade, but it **is** a plea for **freer** trade.

To move into free trade completely would require that the majority of economies do likewise, and this is highly improbable. Even if this **were** done, it would still be an economic change of unforeseeable magnitude and could cause serious economic disturbance.

The action at work is complex and difficult to outline, but the principles involved are the same as would be involved under the following purely imaginary but simplier circumstances.

Our domestic technological improvements are, on the whole, relatively steady year by year. Each improvement gives rise to small growing pains, but is beneficial in the end, and we are continuosly going through these operations.

To use poetic license, suppose our technological improvements continue in the future as in the past, but by government fiat they must be put on the shelf and not admitted into operation until the year 1964. Also assume, for the purpose of thought pattern, that that does not deter the continuous development of labor saving devices for future benefit. Granted, this is quite an assumption, but it helps clarify the point more simply.

Our working force is composed of a great number of groups of different skills and abilities, varying greatly in type and size, and these are continuously changing through the years. The new pattern required in 1964 would be the accumulation of 10 years of normal changes.

If, instead of having had a gradual change in the types and skills of these many groups during a 10-year period, the necessary changes were attempted to be compressed into the year 1964, a major economic dislocation would result. There would be a great excess of skills and abilities in many groups, which would result in disemployment. On the other hand, there would be corresponding shortages in other groups of other skills and abilities. Training to bring a balance in this situation would require several years. This change in distribution of skills and the number attracted thereto takes place relatively smoothly in our ordinary operation.

The mere concept of such an interference with internal operations by government seems too foolish to think about. But this same principle would be at work if, by government fiat, all existing international interchange of goods restrictions were removed at one swoop.

For instance, all our generating-station equipment, which is not a mass production operation, could possibly be purchased more economically from the more industrialized of the European economies. Similarly, our own domestic automobile and kitchen appliance industries could very possibly monopolize the market in all other countries and all their facilities for that activity would come to a standstill, with resulting excessess and shortages of skills called for.

Our economic health, both here and abroad, is based on a continuation of somewhere near full employment. On this basis, the jars of **gradual** changes which inevitably occur in internal domestic improvements can be taken in stride, but it is certainly dangerous to make major changes by governmental fiat.

The move toward the ultimate goal of free trade must be a carefully thought through engineering and economic policy. Regard should not be given to any specific interest or interests, but the motivation should be the welfare of our consuming public, which welfare depends upon the combination of low prices and near maximum domestic economic activity.

Our greatest need in the present period is for a clearer and wider-spread understanding of the potential betterment to our average standard of living, and that of other peoples incidentally, through maximizing interchange of goods and services with other countries. Last, but important, is the fact that trade is a great deterrent to war.

To summarize:

Our average national standard of living is increased both by domestic technological improvement and by foreign trade. The same identical mechanism is at work in both cases to our benefit.

Labor rates abroad, lower than our own, are not a factor in this analysis. We are interested in buying things from abroad solely more cheaply than we can buy them domestically, but within the limitations outlined in this discussion. Whether this is brought about by different climate, richer natural resources, better methods of manufacture, or cheaper labor, does not affect our problem. Tariffs should **not** be governed by alleged differences in labor costs in groping toward our maximum economic welfare.

Our domestic improvements have always been free from legislative control. However, our economic benefit through foreign trade action has, from the beginning of our economy, been under government control, and advisedly so—particularly in the early stages. We have lagged seriously in reducing this control.

Currently, there is a gratifying awakening to these circumstances. Let us hope that our representatives in Washington give to this subject the objective thinking, for the nation as a whole, that it merits.

There is really no new **thought** content in the foregoing discussion beyond the principles enunciated long ago by Ricardo and others. It is merely an attempt at a more digestible presentation for a wider circle of readers.

The over-all advantages to our economy in the maximizing of foreign trade is **not a mystery.**

Buffalo Bond Club Elects Officers

BUFFALO, N. Y. — The Bond Club of Buffalo has elected the following new officers:

President: Chester O. Gale, Trubee, Collins & Co.; Vice-President: W. Douglas Hopkins, Hamlin & Lunt; Secretary: Charles H. Augsperger, First National Bank; Treasurer: Homer Berryman, Marine Trust Company; Governors: E. Douglas Howard, Niagara Share Corp., Edward Cornelius, Stevens, Cornelius & Co., Inc., Roy W. Doolittle, Jr., Doolittle & Co., N. Michael Keiser, Hugh Johnson & Co., Jack C. Reukauf, Trubee, Collins & Co.

Cooper Trustee of Mass. Investors Trust

Massachusetts Investors Trust announces the appointment of John L. Cooper as a trustee to fill the vacancy caused by the retirement of Merrill Griswold. Mr. Griswold is maintaining his association with the Trust as Chairman of its Advisory Board. The trustees are the operating managers of the company.

John L. Cooper

Mr. Cooper joined Massachusetts Investors Trust in 1947 as a member of its research staff after previous experience in investment research work with the Bankers Trust Company in New York City. A native of Pittsburgh, Pa., he graduated from Yale University in 1935 and recently was a member of the Advanced Management Program at the Harvard Graduate School of Business Administration.

Stanton Loring New Conklin Partner

Stanton D. Loring has been admitted to partnership in the DeWitt Conklin Organization, 100 Broadway, New York City, financial and stockholder relations counsel, it was announced by DeWitt Conklin.

Stanton Loring

Mr. Loring has been associated with the Conklin firm as an account executive since 1952. Previously he was associated for four years with the investment banking firm of Tucker, Anthony & Co. During the Korean emergency he was recalled to active service in the U. S. Navy and served as flag secretary and aide to Admiral Oscar C. Badger, USN. He is a graduate of Harvard University.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Despite the sharp rise which took place in prices of government securities near the year end, the much desired backing and filling which has been witnessed here and there and which has been mainly technical in character, there is a very constructive attitude around concerning the future trend of quotations of Treasury obligations. Money market specialists point out that with the trend of business downward, there will be further ease in the money markets. A continuation of the current policy which has been towards lower interest rates plus a modest amount of acceleration should not be unfavorable as far as the future quotations of Treasury issues are concerned. The large amount of refunding that must be done this year likewise is not a negative factor in the money market.

The long-term government bonds that are still selling at a discount continue to go into strong hands, with some of the intermediates being shied away from because of their vulnerability in coming refundings.

Money Market in 1954

According to money market specialists the course of the government market in 1954 will be determined in no small measure by the trend of business conditions in the country. It seems as though a large number of economists are of the opinion that some kind of a let-down in business is in the making, with considerable disagreement as to how great or how little it might be. Statistical data is showing that a very modest decline is taking place in certain industries which is not an unexpected development in light of the boom conditions which have been enjoyed for many years by the nation as a whole. The decreases which are being reported by certain key industries, together with predictions such as an "Orthodox Recession" for the United States in 1954, most certainly heralds the end of the "inflationary era" which has plagued the monetary authorities.

Lower Interest Rates Expected

When the inflation threat is over, and it most certainly looks as though the present one is, then there must be a definite change in attitude as far as the Administration is concerned and more especially so when it comes to those that are responsible for the monetary policy of the nation and in particular the trend of interest rates. It has been indicated by those that are in authority that the money markets will be used to modify the trend of economic conditions if and when it should become necessary to take such action. To be sure, there is considerable question among money market followers whether or not changes in money market conditions and the course of interest rates is sufficient to have an influence upon economic conditions as a whole. Nonetheless, it is very evident that when there is a turn-down or danger of a turn-down in business conditions the trend of interest rates is also down.

From the best available sources it is predicted that the course of business in 1954 will be down and, although the extent of the decline is the debatable point, it is not possible for the powers that be to take a chance on how far or how little the decline might be. Therefore, it is the opinion of many money market specialists that easier money conditions are to be expected in the not too distant future in order to set in motion forces that might have an offset effect upon those that are responsible for the downtrend in business.

Change in Reserve Requirements Likely

The first major development that is looked for by certain money market specialists is a change in reserve requirements. This does not mean that there might not be other developments in the money market ahead of this one. There could be a lowering of the prime rate at any time because there have been rather heavy rumblings from time to time about when and why it would be pushed off its high perch. In addition, the rediscount rate might be moved down but again this would not have the significance in the money market that a change in reserve requirements of the member banks would have. Open market operations are expected to continue to be a stabilizing force as far as the money markets are concerned, with Federal most likely to supply needed securities to those that must have them for investment purposes.

Heavy Refunding Schedule

In the not very distant future the Treasury must be looking at the refunding of maturities and the year 1954 starts off with two rather sizable ones, with the Feb. 15, 2¼s amounting to $8,114,000,000 and the March 15, 1⅞s totaling $4,675,000,000. There has been some talk that these two maturities, aggregating nearly $13 billion, would be taken care of in a single operation. No matter how they are handled, and they will be handled successfully, a favorable money market which is indicated is a very helpful tool in any refunding operation.

E. C. Heeseler With White, Weld & Co.

White, Weld & Co., 40 Wall Street, New York City, members of principal security and commodity exchanges, announce that E. Carleton Heeseler has become associated with the firm in its municipal bond department.

Mr. Heeseler has for several years been with Moody's Investors Service, prior to which he was associated with C. J. Devine & Co. He served in the Army Air Force during World War II.

Wood, Struthers Co. Absorbs Middendorf

Wood, Struthers & Co., 20 Pine Street, New York City, members of the New York Stock Exchange, announce that they have succeeded to the investment business of Middendorf & Co. Inc., Baltimore, and that they will continue the Middendorf office in the Keyser Building as a branch of the firm. The announcement also stated that J. William Middendorf, Jr. will continue his investment activities in association with Wood, Struthers & Co.

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1954—The Beginning of A New Bull Market

speculative growth companies should be retained but, in the main, liquidity should be stressed in speculative situations. This has been the opinion of the professional investor rather than the general public and it has worked out very well over the past two or three years. It has accounted for the extremely diverse action of the market since February, 1951 and the simultaneous bull markets and bear markets in individual issues during that period. Will this type of selective market action continue into 1954? Or will the relatively unfavorable business prospects result in a general decline in equity prices regardless of quality?

This subject has been pretty thoroughly explored both from an economic and statistical viewpoint. The conclusions arrived at are not very definite but appear, in the main, to favor a somewhat lower level of common stock prices in 1954. Perhaps another viewpoint might shed some further light on the picture.

The Technical Approach to Long-Term Action

As a market analyst or market technician, most of my work has been concentrated on the technical approach to market action. Lay or uninformed opinion believes that the use of charts or graphs is mainly related to the shorter term swings of the market. I do not think this is true. There is no method, fundamental or technical, that can succeed in continuously forecasting short term market movements. Even if it could, the costs involved would most likely invalidate its findings. However, a study of supply and demand factors, when coupled with an analytical or statistical approach, can be of inestimable value in selecting favorable equities for longer term investment or speculation. More and more, professional investors are using the technical approach as a check against their fundamental or statistical findings.

I use over 1,500 graphs to check my technical opinions. These graphs relate mainly to the price and volume action of individual securities listed on the New York Stock Exchange or the American Stock Exchange. A study of these graphs combined with an evaluation of internal market action such as volume, advances and declines, new highs and lows and other factors gives a fairly definite indication of whether the buying and selling strength is predominant in individual issues as well as the general market.

What does the technical approach to market analysis show at the moment?

The Present Indication

Before attempting to answer that question, it might be advisable to review the last five years or so of market action. In late 1948, I ventured the opinion that, in 1942, the stock market had started a long term uptrend. ("Commercial & Financial Chronicle," Sept. 9, 1948.) It would be a war-postwar-inflation advance similar to that which occurred from 1914 to 1929 but, because the uptrend had started from a comparatively lower price level, it would most likely last longer than the 15-year advance that commenced at the beginning of World War I. I projected the present advance to at least 1960. At the peak, stock prices would most likely be considerably above the 1929 highs. Of course, such an advance would not be in a straight line and would be interrupted by a number of rather drastic intermediate term declines. Long term advances of this nature usually consist of at least five phases, three of advance and two of decline.

By 1948, the market had undergone the first advancing phase from 1942 to 1946 (the Dow-Jones industrial average had moved from 96 to 213). This advance was too rapid and, in 1945-1946, a large number of speculative issues were over-exploited. A correction was needed and the market dropped from 213 to 160. By late 1948, the technical pattern indicated that the second phase, one of decline, had been largely completed despite the fact that, as today, most business forecasts indicated a decline. Technical work suggested that the next important move in the market would be toward higher levels and that the next phase of the long term advance should carry to about the 250 level in the Dow-Jones industrials by the early 1950s. After some further irregularity, the market advance started from the 160 level in June, 1949 and reached a high of 295 early in 1953.

Actually the action of the averages in the past three years has not accurately portrayed the action of the average stock. Most stocks reached their highs in 1951 when the Dow-Jones industrial average was approximately 265.

To the holder of the average stock rather than the stock market averages, we have been in a bear market for about three years. Since January, 1951, the market has undergone a piecemeal readjustment. The steels reached their highs in January, 1951, and have declined 33%. The textiles reached their highs in February, 1951, and have declined almost 40%; the distillers reached their highs in October, 1951, and declined over 30%; the coppers reached their high in January, 1952, and have declined 33%; the oils reached their highs from March to July, 1952, and have declined 25%. The farm equipment issues reached their highs in October, 1952, and have declined over 30%. Even the rails which reached their high as recently as January of 1953, have declined almost 20%.

In 1951, my technical work indicated that the market, as far as most stocks were concerned, had reached a temporary top ("Commercial & Financial Chronicle," March 8, 1951) and needed a readjustment or consolidation period to correct the temporarily overbought condition. This correction has been taking place for three years with the majority of issues working lower regardless of the relative firmness of the various stock market averages.

At the start of 1953, the readjustment had not yet been completed. An analysis of the price action of over 1,400 individual stocks led to the conclusion that, while quite a few issues had completed their correction and were in an uptrend, there were a larger number that needed additional consolidation before an important upward move was indicated. There were also a relatively large number of issues that still had vulnerable patterns and indicated the probability of sharply lower levels. All of this led to the conclusion that price action in 1953 would be highly selective with individual issues having private bull and bear markets of their own but the general market would not get very far in either direction ("Commercial & Finnacial Chronicle," Jan. 1, 1953). For this reason, I projected a relatively narrow range for the Dow-Jones industrial average for 1953 with a high of 300 and a low of 250. The actual intra-day high and low was 295.06 and 254.36.

Great Selectivity Ahead

In 1954, technical indications are that the market will again be very selective. Again there are a considerable number of issues that appear to be in an untrend. Again there are a considerable number of issues that appear to need further consolidation before an important upward move is indicated. But—and this is the most important change—there are relatively few issues that appear technically vulnerable to sharp price declines. That is why I find it difficult to visualize a real bear market in 1954. Most issues have about reached the downside objectives outlined by their 1951-1952 tops. That is why I expressed the opinion, after the Dow-Jones industrial average had reached the September low of 254.36 that the market was less vulnerable than at any time in the past two years ("Commercial & Financial Chronicle," Oct. 8, 1953).

The market rallied from the September low to a December high of 285.20. The advance was led by the high grade issues. At the year end, the industrials were at 280.90 or some 15 points below the January, 1953 high. There may or may not be some further irregularity. It is possible that the market might again decline to about the 265 level. If this happens, it will most likely occur in the first six months of the year and, in my opinion, will be the last opportunity to buy selected common stocks at the very favorable price-to-earnings and price-to-dividend ratios that are now available. Some time during the year, in my opinion, the market will start a selective advance that could carry the industrial average to about 325 by the end of 1954.

This does not mean that all common stocks will share in the advance. There are many that will do little or nothing marketwise. Quite a few will be selling lower at the year-end but the degree of vulnerability does not appear to be as great as in 1952 or 1953.

Favorable Action Concentrated in Investment and Growth Issues

The better grade investment and growth issues, which have been the market bulwarks since 1949, will undoubtedly continue their favorable action. However, this group has shown some excellent price gains over the recent months and may be in need of some rest and consolidation before their main advance is resumed later in the year. Even in this group, proper selection is of prime importance.

The most interesting profit possibilities appear to be in what might be described as the "light blue chips." These compose the type of equities just a bit below the quality grade of the investment issues. They might also be classified as "businessmen's risks." I drew attention to this group a year ago but, with a few exceptions, they have done little marketwise. They are still available at five to eight times earnings to yield 7% to 9% on a 50% payout. Technically, they have been in what appear to be accumulation patterns for several years and are in a position to advance out of these areas without further need of consolidation. They could become possible candidates for institutional investment over a period as their quality improves and as the supply of higher grade issues gradually diminshes.

A few examples of "light blue chips" follow:

Allegheny Ludlum Steel
Allis Chalmers
Bucyrus Erie
Chain Belt
Deere & Co.
Joy Manufacturing
Mead Corp.
National Gypsum
Penn-Dixie Cement
Shamrock Oil & Gas
Sylvania Electric
Western Auto Supply
Yale & Towne

At this stage of the market pattern, there does not seem to be any great chance of wide appreciation in the marginal or speculative issues. There will be outstanding exceptions of course, but most issues of this type are in the hands of tired holders who may be willing to sell them on any minor price rise. Until there is enough of a speculative public following to absorb this overhead supply, there is apparently little chance for this type of issue to move appreciably higher. Broad public speculation may again again come into the market, but there are no immediate signs of this developing.

In the main, 1954 should be a good year for the investor who continues to hold, and buy, the common stock equities that will ultimately benefit from the continued long term growth of the country. This, as always, will require careful selection not only as to quality but as to price level. From a technical approach, there seems to be little likelihood of a major decline in the stock market in 1954. The chances rather favor a rise of about 25% from current levels by the end of the year. This will be the start of an advance that will gradually broaden out to include a larger segment of the market.

Pierce, Carrison, Wulburn, Inc. Formed

JACKSONVILLE, Fla.—Clyde C. Pierce and H. George Carrison, principals of Pierce-Carrison


Clyde C. Pierce H. George Carrison

Edw. B. Wulbern

Corporation, announce that Edward B. Wulbern, formerly Senior Vice President of R. S. Dickson & Company, Inc., of Charlotte, N. C., has now become associated as a member of the firm and that the firm will now be known as Pierce, Carrison, Wulbern, Inc., with its principal offices in the Barnett National Bank Building.

Mr. Wulbern has had wide experience in investment banking circles throughout the United States, having been associated with R. S. Dickson & Company for more than 14 years and in that association becoming successively Vice-President, Executive Vice-President, and Senior Vice-President. He has also been a Director and member of the Executive Committee and Manager of the municipal bond department of R. S. Dickson & Company, Inc., which company has been recognized as one of the largest investment banking firms in the Southeast. Mr. Wulbern has also been Chairman of the North Carolina Municipal Council and a Director, and also one of the organizers of the South Carolina Municipal Council. He is now a member of the North Carolina Securities Advisory Committee.

Prior to his association with R. S. Dickson & Company, Inc., Mr. Wulbern was associated with the bond department of the Guaranty Trust Company of New York.

Pierce - Carrison Corporation has been active, first as Clyde C. Pierce Corporation and then as Pierce - Carrison Corporation, handling investment securities, particularly municipals, since its formation in 1930. It was very closely identified with the rebuilding of Florida's credit from the depth of the depression days, being the refunding agent, or fiscal agent, for a number of Florida municipalities and counties. It has been more recently identified as one of the principal underwriting houses in the purchase and distribution of the controlling stock of the Gulf Life Insurance Company.

L. G. Fitzpatrick Opens

LONGVIEW, Tex.—L. G. Fitzpatrick is engaging in a securities business from offices at 107 Frances Drive.

William Urell Heads F. S. Smithers Dept.

F. S. Smithers & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, announces that William H. Urell has been appointed Manager of the firm's municipal bond department, effective Jan. 1, 1954. Mr. Urell joined the Smithers firm in 1949, having previously been associated with Barr Brothers & Co.

A. M. Krensky Now Member of NY Exchange

CHICAGO, Ill. — Arthur M. Krensky, Republic Investment Company, 141 West Jackson Boulevard has acquired a membership in the New York Stock Exchange.

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and mining account for but 9% of the national income. Here competition is relevant but the limits of adaptability are determined largely by the resources available.

Contract construction (5%), wholesale and retail trade (17%), services (9%), finance, insurance and real estate (9%), transportation (5%), communication and public utilities (3%), government and government enterprises (12%)—these all have elements of regional competition but, to a considerable extent, they are necessarily localized. An estimate of the approximately 40 items included in the employments listed in this paragraph and accounting for 60% of all income suggests that only about 10% of all income and corresponding employments included here are largely subject to interregional competition. Thus for retail trade, public utilities, transportation, telephone services, most services (education, religion, cinema, private households), local and state government, and a large part of Federal Government, the location of activities for the most part are determined by the present distribution of population and income. Only as population and income are redistributed will the services be redistributed. They are determinates, not determinants. Substantial parts of wholesale trade and of insurance are examples of services subject to interregional competition.[5]

Here is a listing of various employments on the basis of variations for seven regions in the percentage of income for each employment in 1949 as a percentage of the region's income (wages and farm) accruing to each employment. The employment listed first is the one with the greatest range —e.g., the total of the percentages below 100 and above 100 for the regions are a maximum.[6] The presumption is that where variations are small (e.g., bottom three employments and even possibly the fourth and fifth from the bottom) all regions divide the employments roughly in accordance with income and there is little play for interregional competition.

	Total Deviation	Total Max. Range, Lowest to Highest Region
1. Agriculture and mining	495	227
2. Construction and manufacturing	200	82
3. Services—finance, insurance, real estate	137	49
4. Government	128	61
5. Transportation	56	20
6. Trade	44	25
All non-commodity (inclusive of 3-6 above)	44	30

SOURCE: Calculated from materials in **Regional Trends in the United States Economy**, 1953, p. 71.

An indication of the areas of competition in given by the distribution of various types of incomes by regions. Above the study is based on income accruing to each employment as a percentage of the region's share of the nation's wage and farm income for 1949. Then we compare for each region the percentage of incomes earned by different employments relative to the region's share of the nation's income. Thus in the seven regions of the country, for 1952, the average percentage of trade and service income to the region's total income payments varied only from 24.1 to 28.0% (the U. S. average was 25.6). In construction, the range was from 3.4% (New England) to 5.0% (Southeast). Here the differences are explained largely by the slow advance of New England and the rapid industrial growth of the South—not by the South selling construction services to other regions. Where the percentage of income accruing to particular employments does not vary much from region to region, it may be assumed that competition is distinctly limited. In some instances, where percentage of employment varies generally, e.g., transportation, the explanation may well be that differences reflect geography rather than interregional competition. Heavy concentration of population explains a low proportion of employment in transportation in New England and Central States, and large distances explain high relative employment in transportation in the South, Northwest, and Far West. Differences in the proportion of service income may also reflect variations in spending patterns in part: the rich Northeast spends more on services than the poor South.

For agriculture, government, and manufacturing, the minimum and maximum figures were:[7]

	Agriculture (Income)	Government (Income Payments)	Manufacturing (Payrolls)
National Average	6.7	15.9	24.5
Minimum:			
Middle East	1.5	---	---
Central	---	12.5	---
Northwest	---	---	10.6
Maximum:			
Northeast	20.3	---	---
Southeast	---	20.3	---
New England	---	---	32.9

These figures suggest that the Northwest (and incidentally the Southeast) are heavy exporters of agricultural products and the East heavy importers; and that the East and Central States are heavy exporters of manufactured goods. Interregional competition prevails to some extent in agriculture—e.g., Western and Southern cotton, or Middle West and New England dairy products, but adjustments through increased output and sales of agricultural products, tied so much to natural conditions, is much more difficult than for manufacturing products. When a region (i.e., the Northwest) has but 5.04% of the income and 20.3% agricultural income, it will be a large exporter of agricultural products; and when a region (i.e., New England) has 6% of the income and 10% of manufacturing payrolls, it obviously will be a heavy exporter of manufactured products.

If a manufacturing region loses heavily in exports, its loses must be recouped largely in manufactures, with some help from services. Yet even in manufactures there are segments where adjustments are not easily made. For example, in 1951, the distribution of manufacturing employment was as follows:

(1) Seven industries with location **predominantly** determined by access to raw materials (and to some extent to proximity to markets) accounted for 35% of the value added in 1951.

(2) The location of seven industries accounting for 46% of the value added was determined to a **substantial** degree by the need of being near the raw materials.

(3) The other five industries (textiles, apparel and related, printing and publishing, leather and leather products, instruments and related products) accounting for 19% of value added were industries which might be located largely independently of the proximity to the sources of the raw materials.

The last group would especially be subject to pressures for any adjustments that have to be made.

Dispite the obstacles, there is evidence that slowly adjustments are made. Thus, though New England was at one time a high-wage area, this is no longer true. The effect of the continued pressure on her balance of payments has been a tendency for New England to become a low-wage area. In manufacturing, her wages are lower than in any other region in the country but the South; and in white collar work, her pay is often lower than the South. For example, in 1950, average hourly earnings in manufacturing were $1.46 as compared with $1.38 in New England. Of the 18 industries for which figures were available, New England wages were higher than the national average only in textiles (9%), chemicals and allied products (5%), stone, clay and glass products (2%). These figures might also suggest why New England has been experiencing difficulties in textiles and shoes, and also not gaining as much as might be expected in chemicals.[8]

On the basis of Census figures, I have calculated for 1950 a weighted average of wages in the three weak soft industries—textiles, apparel, and leather and leather products—and in the eight strong growing industries.

	Hourly Wages, New England	Relative to U.S. Wages — %
3 weak	$1.29	106%
8 strong	1.49	94

SOURCE: **Census of Manufactures**, 1947, I, p. 52, and **Annual Surveys of Manufactures**, Preliminary, Nov. 13, 1951 and Dec. 6, 1951.

But, as has been said earlier, adjustments are made more difficult by various governmental policies. For example, as the older region is confronted with these problems of finding substitute employment for the declining, older industries, they face price policies which tend to raise the prices of food and raw materials imported (agricultural and trade policy) and to depress the prices of products sold (international trade policy). Moreover, the government, through its tax and spending policies, contributes towards cheap power, increased research facilities, improvement of plant (through tax favors) in the newly industrialized regions. (The much larger rise of Federal outlays in the South and Far West than in New England is to be stressed.) Hence, when confronted with the adverse balance of payments, public measures, instead of offsetting, tend to compound the difficulties. In some recent postwar years, the Federal Government drew net about $1 billion annually (about 7% of the region's income) out of New England.[9] It should be added, however, that insofar as the government, through its various policies, raises the general income, all regions profit; and in insisting upon minimum wage rates tend to deprive the newer industrial regions of a small part of the advantage of plentiful supplies of labor.[10]

It is generally assumed that the older industrial region yields its industries to its newer rivals, and then moves on to more advanced industries. Insofar as the older industries do not require much capital per worker, are widely dispersed (wide dispersal points to strong possibilities of growth of an industry in underdeveloped regions), and require skills that can be transmitted without great difficulty, the underdeveloped regions will nurture them. The assumption is that New England and the Middle Atlantic States abandon or lose in tobacco, textiles, shoes and leather, and concentrate more on chemicals, machinery, metal fabrication, etc. But it is not always clear that the movement is in the desired direction. New England's gains have been in part in the newer and high wage, high productivity industries, but frequently at wage rates much below the national level. It is significant that even as the region has moved towards the highly productive industries, her relative wages have fallen. Even the movement towards tertiary (service) industries may reflect the excess labor pressing for employment (e.g., low-wage department stores) rather than a sign of advance into higher paying industries.

From 1919 to 1947, new England added 162,000 jobs in the 10 manufacturing industries growing most rapidly, or about 4% of the additional jobs in these industries in the nation, a proportion much below the region's 9-10% of all manufacturing jobs. The figures point to difficulties in adjusting. In this same period, the region had lost 200,000 jobs in textiles and shoes. From 1947 to 1952, New England lost no less than 61,000, or 22%, of its textile jobs. But the region gained 25,000, or 2%, in **all** jobs in industry. The major gains were in transportation equipment (28,000) and electrical machinery (26,000).[11]

Possibly the difficulty of making adjustments is suggested by the fact that wages in service industries in New England are below the national average. In the six service employments, accounting for almost one-half of the nation's payrolls, New England's annual salary-wage per employee was but 98% of the national average. The figures for the Middle East, Central and Far West were 106.1, 104.6, and 111.4%, respectively; for the Southeast and Southwest, 79.6 and 87.5%, respectively.

Differences in annual wages are influenced also by the proportion of high earnings industries. It will be noted that the high-wage regions are also those with a large proportion of high earnings industries and a low proportion of low earnings industries. (The Far West is an exception. Here inadequate supplies of labor relative to demand must be a relevant factor.)[12]

Proportion of Proprietors' Net Income Plus Gross Wages and Salaries Derived from High and from Low Earnings Industries, by Regions

	U.S.	N.E.	Middle East	S.E.	S.W.	Central	Far West
5 highest earnings industries*	42.5	49.0	47.5	35.3	31.6	48.3	33.7
4 lowest earnings industries†	27.8	22.2	22.5	33.8	36.7	25.8	30.7

*Wholesale trade, transportation, power and gas, mining, and manufacturing.
†State and local government, services, farming, miscellaneous.

SOURCE: **Regional Trends**, p. 12.

As the newer industrial regions grow, it might be expected that their incomes would rise relatively to those of the older regions. The rise of income would result in large part from the movement from the farms to the city factories. Insofar as higher incomes result from the changed employment structure, the contribution towards adjustment for older regions should not be large. Higher incomes explained by more workers attracted to textiles from farming in the South do not help greatly to solve New England's problems. But insofar as the higher income reflects a relative increase in the costs (e.g., labor, cost of living), suggesting the pressure on costs of the industrialization process, the balance of payments of the newer regions suffers: they buy more and sell less.

It is of some importance to examine the movements of income. In the underdeveloped regions, incomes tend to be low compared to the national level. (In the Far West, however, the scarcity of labor, and perhaps rich natural resources, account for high labor incomes and high per capita incomes despite the fact that the region is still underdeveloped.) It would be expected that incomes would rise in the low income and developing regions: in part because workers migrate from the low income regions and capital comes in to take advantage of low wages and unexploited natural resources. But the movement towards equality is slowed up by ignorance, by lack of resources required for migration, by other non-economic factors tending to keep people where they were born and, as mentioned elsewhere, the large natural increase of population in some of the underdeveloped regions. (From 1940 to 1949, the net migration and immigration was 38% for California and from 31 to 20% for Nevada, Florida, Arizona, Washington, in that order from high to low. States primarily in the Northeast and Central regions gained moderately. The major losses were in 10 Southern states (Arkansas, 22%; Mississippi, 21%), and five Northwestern agricultural states (notably the Dakotas).[13]

In general, over a period of 20 years the per capita income of the Northeast **relative** to the national figure has declined by about 20%. The gains for the South have been about 30%; of the Western agricultural and mining states, about 20%.[14] The great industrial states of the Midwest have roughly maintained their relative position. Advances of the South rest upon industrialization, the improved position of agriculture, and migration; of the Western agricultural states, on improved prices for farm and mining products and migration. The relative losses of the Northeast are the result of the improved status of agriculture (unimportant in the Northeast), and the industrial gains of other regions. That the Far West has lost ground relatively in **per ca-**

5 *Survey of Current Business*, July, 1953, p. 16.

6 Based on materials in *Regional Trends in the United States Economy*, p. 71.

7 Figures from *Survey of Current Business*, Aug. 1953, p. 9.

8 *Census of Manufactures*, 1947, I, p. 52; and *Annual Survey of Manufactures*, Preliminary, Nov. 13, 1951 and Dec. 6, 1951.

9 Cf. my *Economics of New England*, 1952 (Part II), and *Report of the New England Governors' Committee on the Textile Industry*, 1952, *Report*, Sections 15 and 19, and *Research Report*, Chs. 15 and 19.

10 Here we should note the disagreement of two of the pioneers in the field of regional economics. Professor Calvin Hoover held that lower wages are not a necessary condition for the South's capacity to produce for the national market. Professor John Van Sickle disagreed. Agricultural Committee, *Study of Agricultural and Economic Problems of the Cotton Belt*, 80th Congress, p. 688; Report of Joint Committee on the Economic Report, *The Impact of Federal Policies on the Economy of the South*, 1949, pp. 48-49.

11 Census of Manufactures *Reports*, 1919 to 1947, and 1952 *Annual Survey of Manufactures*, Release *New England States*, Nov. 18, 1953.

12 U. S. Department of Commerce, *Regional Trends in the United States Economy*, 1951, p. 13.

13 For the facts about migration, see *Regional Trends in the United States Economy*, 1951, pp. 6-7.

14 *Survey of Current Business*, August, 1952, pp. 11, 16, 17.

pita income is mainly the result of the vast in-migration. From 1930 to 1950, the population of the Far West rose by 77%, as compared with 23% for the country, 14% for New England, and 24% for the South.[15] That the percentage of national per capita incomes in 1951 was still only 83, 63, and 82% of the nation's for three Southern regions suggests both the effects of substantial natural increases in population in the South, the continued importance of low income agriculture in these regions and the persistence of income differences not adequately treated by industrialization or migration.

Relative movement of incomes are the result of numerous developments. Regions with industries that tend to grow gain more than other regions. Their incomes will rise more. For example, I have compared the percentage of national manufacturing employment in three soft and rather weak manufacturing industries (textiles, apparels and leather and products of leather) with eight relatively strong industries, and notably in prosperous times and in a military economy (chemicals and allied, rubber products, primary metal industries, fabricated metal, machinery [both electrical and other], transportation equipment, instruments and related). According to the last Census (1947), the proportion of employment in the three weak to the eight strong industries was as follows: New England—83; Middle Atlantic—62; East North Central—10; West North Central—40; South Atlantic —204; East South Central—89; West South Central—32; Mountain —12; Pacific—19.

An examination of these figures suggests that in an economy in which the eight industries are strong and growing, the Northeast would lose ground, the Central States (especially the East North Central) would gain heavily. The position of the South would be especially vulnerable. That this region nevertheless continues to gain is explained by the fact that her position is strong competitively within the industries losing ground in the nation. (By weak I mean here the position of the industries as growth industries in the country.)

In an interesting study, Professor Hanna showed that the industry mix pulls production wages in the South Atlantic States down from the national average by 12% and her wage rates depress them by 9% below the national level; the corresponding figures for New England are 2.3 and 2.4%. But in the Middle Atlantic and East North Central these variables pull wages up.[16]

Over the years 1899 to 1951, the three "weak" industries have lost ground relatively speaking:

	% of Employment		
	1899	1939	1951
Textiles, apparels and shoes	28.5	20.7	19.4
Chemicals, petroleum and rubber	4.6	6.6	7.5
Primary metals	---	8.6	8.6
Metals, machy., instruments, etc. (5 major industries)	---	24.0	33.1

SOURCE: U. S. Census of Manufactures, 1947, II, various pages; and 1951 Annual Survey of Manufactures, Advance Report, Series MAS 5/24, March 11, 1953, p. 7.

In order to assess the situation, it is necessary to take account not only of the percentage of weak and strong industries at present but the net changes over recent years.

Thus, of the percentage of the nation's factory jobs, the largest relative losses between the last two Censuses, 1939 to 1947) were New England (19%), and the Middle East and the Southeast (5%); the largest gains, the Southwest (24) and the Far West 19). It is interesting that in these years the Southeast lost ground relatively in all manufacturing. For 1947 to 1951, New England's share of the nation's factory employment dropped further by 6%, the Middle Atlantic States by 4%, and East North Central by 1%; but the South Atlantic gained 3%, the West South Central 9%; and the Pacific States 19%.[17]

What is also interesting is that in the years 1939-47 textile losses in New England were roughly equal percentagewise to all losses (a percentage of U. S. total); and in rubber and instruments, the New England losses were much larger than in textiles. But note that, from 1947 to 1951, New England's percentage of all factory employment declined by 7%; and of textiles by 15%. In the Middle East the large losses from 1939 to 1947 were in tobacco (27%) and in primary metals (11); in textiles, only 2%. Also most significant was the fact that the Southeast's gain from 1939 to 1947 in textiles (still in percentage of U. S. total) was but 10%; in transportation equipment and apparels, each 35; but in petroleum, 31, tobacco, 28, paper and leather and leather products, each 21. In other words, the Southern advance was on a wide front, though in absolute number of jobs the largest gains were in textiles. Very large relative gains for the Southwest (300% in transportation) were still unimportant because of the small number of jobs involved. In the Far West, the percentage gains were also frequently of large proportions and for some industries of significance. (Transportation equipment, 83; leather and leather products, 77; primary metals, 50; etc.) The gains for the Central States were notable in instruments (28) and chemicals (12). But in its important transportation equipment, its percentage of the U. S. jobs was down by 14%; and it lost in soft goods industries. Its concentration in the growing hard industries increased further.[18]

15 *Regional Trends*, p. 64.

16 F. A. Hanna, "Contributions of Manufacturing Wages to Regional Differences in Per Capita Income," *Review of Economic Statistics*, Feb. 1951, pp. 18-28.

17 U. S. Census, *Annual Survey of Manufactures*, 1951, p. 16.

As against changes in the percentage of the nation's jobs (above), we might examine the changes in the percentage of employment within the New England region (1939 to 1947).

Major Losses

Leather and leather products	30%
Textiles	24
Apparel	17

Major Gains

Electrical machinery	63%
Other machinery	52
Fabricated metals	23
Chemicals	23

(All figures calculated from U. S. Census of Manufactures, 1947.)

In the Middle Atlantic States, the largest losses were in tobacco (39%), textiles (33), leather and leather goods (24), food (14), and apparel (10). The major gains were in non-electrical machinery (63), electrical machinery (62), instruments (40), transportation equipment (25).

This is the general pattern in most regions. Gains in the industries growing relatively in the nation and losses in the weaker industries. Even in the South Atlantic, textiles declined as a percentage of the region's employment by 15%, leather by 25%. Large relative gains were registered in machinery and transportation equipment. But gains were also large in industries dependent on raw materials—lumber, paper, chemicals, stone, glass, etc.

Another indication of the changing economic structure is given by the distribution of new jobs. Thus, in New England, 299,000 new jobs in manufacturing were added in the years 1939 to 1947. The three important soft industries (textiles, apparels, leather and leather products) accounted for a loss of 2,000 jobs; the eight growing industries (listed earlier), for 219,000 new jobs.[19]

18 Calculated from *Regional Trends*, p. 116.

From 1947 to 1953 (June to June), New England added 290,000 jobs. Manufacturing accounted for 92,000, or almost one-third. In manufacturing, textiles lost 52,000, and the three soft goods industries, 31,000 (apparels and leather gained); and the eight thriving industries (listed earlier) experienced a gain of 89,000 jobs. The major gains were not in manufacturing but in other non-agricultural employments, and notably in government (84,000), trade (60,000), services (29,000), finance (27,000).[20]

19 Calculated from *Regional Trends*, pp. 115-116.

In summary, most regions, developed or underdeveloped, suffer relative losses in the weak and gains in the strong industries —measured either as a percentage of the nation's or the region's employment. But of course the developed region tends to lose more and gain less. Confronted with losses in manufacturing (absolute in depression and relative in booms), the older region turns more to tertiary industries—note the rise of 84,000 jobs in government for New England from 1947 to 1953.

It has been noted that income differences persist. Indeed, continued movements of labor out, and management and capital into the lower income regions should greatly reduce the differentials. But the effect may well be that in the regions not favored by rich resources, able managers, skilled workers, etc., the result would be large relative, if not absolute, declines in population. The price of maintaining a large population may well be a reduced relative standard of living, reflecting the relatively low productivity of the region.

20 U. S. B. L. S., New England Regional Office, *Employment in New England, 1939-1953*, Tables C-1 C-7.

At present the high income regions are those with a large proportion of high wage employments and those with high wage rates for identical employments. Other factors are also important—e.g., the contribution of property income, of government, the proportion of the population in the working population. In the South, for example, the annual wage in manufacturing in 1947 was 25% below the national level; but if allowance were made for the differences in the structure of industries, annual wages in the South

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would be only 10% below the national level.[21]

Concentration by industries is also evident in the figures noted below. In general, the durable goods industries are the most productive. Hence regions with large employment in durable goods industries tend to have a high value added per worker. But an examination of the table below does not reveal a close correspondence between these variables. Compare, for example, the figures for the Far West and the Central States. Value added is 14% higher for the former in 1947 and percentage of durables 13% less.

Percentage of Employment in Durable Industries and Value Added Per Production Worker, by Regions, 1939 and 1947

	1939		1947	
	Percentage Durables	Value Added (U.S. = 100)	Percentage Durables	Value Added (U.S. = 100)
United States	43.8	100.0	51.8	100.0
New England	31.5	81.3	41.6	87.4
Middle East	38.7	103.5	46.7	102.2
Central	59.4	113.2	66.5	104.8
South East	28.8	68.6	33.0	80.2
Far West	51.2	120.6	57.9	119.3

SOURCE: Regional Trends in the United States Economy, 1951, pp. 83, 84.

As might be expected, wage rates check reasonably well with value added per employee. For New England in 1947 the average value added for all manufactures was 87% of the national average, and of wages, 96% of the national average. For 19 industries in New England, value added per employee in the United States was less than 100 (U. S.=100) in 16 industries and above 100 for 3 industries. Wages in New England in five of the 19 industries were 100 or above (U. S.=100): in the three former instances and lumber and products (103, though value added was but 88% of the national average), and miscellaneous (96 for value added and 101 for relative wages).[22]

Value added per employee gives but an indication of wages to be expected. For example, a high value added per worker may be explained by large investments in capital and large outlays for administration as compared with another region. With such large outlays, the wage received relative to value added may well be less than in another region.

In a table below, we present the percentage of income (wage and farm) falling to various employments in 1949 and the change in percentage **points** from 1929 to 1949. In the space available, I can only stress a few features of this table.

(1) Manufacturing is especially important relative to the national structure of employments in New England, the Middle East, and the Central States, and of small significance in the Southwest and Northwest. But the large gains in 20 years have been in the Southeast, Southwest, Central, and Middle East in that order. New England's gains were small indeed.

(2) The Far West, with the highest per capita income, also has the highest percentage of employment in non-commodity producing industries (61.25); and the Middle East with 56.60% employment in these industries also combines a high value for these industries with a high per capita income; but the high income Central States have but 46.22% of employment in these industries; and the South's percentage, with low incomes, is higher than New England's. Gains in non-commodity producing employments do not necessarily accrue to the high income regions.

(3) Note the large gains in Federal employment, and particularly for the underdeveloped regions.

(4) In these 20 years, Federal Government and miscellaneous employments, mining, and trade especially gained; transportation, finance, industry, and real estate, services and agriculture have especially lost ground relatively. Obviously, regions with heavy employment in these "declining" employments tend to lose ground relatively.

Economic changes in the last 20 years point to the kind of adjustments that have to be made. The regions suffering losses in their major industries offset these losses to some extent by capturing part of the additional employment in the growing industries. But it will be found that their gains in all manufacturing industries are less relatively than their stake in all manufacturing industries. What is more, their losses will often be large in some of the growing industries. In the developing regions, one will find also that the gains are relatively larger in many industries besides the less advanced industries (e.g., textiles). Under this pressure, New England, for example, will increase its employment in tertiary industries; but in contrast to the Middle East and Central States, also important industrially and gaining ground relatively since 1929 in industry, New England does not increase the proportion of employment in secondary industries. And in contrast to these two other great industrial regions, New England must seek offsets in large substantial relative gains in non-commodity producing industries.

Summary and Conclusions

In a dynamic economy, some regions are bound to grow more rapidly than others; and in the process to capture some of the industries of the older regions. All that the older regions can ask is that the transitions be eased as much as possible; and above all that they should not be made more difficult. Unfortunately, government and, to a lesser extent, trade unions have made the adjustments much more difficult than they need be. New England has especially suffered as a result; but the interests of the Middle Atlantic States and the Central States are also involved. Large military and other government outlays have obscured the extent of the adjustment problem and put off to some extent the day of reckoning. The importance of military outlays is especially great for the heavily industrialized Middle Western states, where the concentration on heavy and unstable industries is especially dangerous (67% of the employment in eight major industries closely related to the military economy as compared with 34% in New England and 28% in the Middle Atlantic States). Moreover, employment in these eight strong industries relative to three weak industries was eight times as high in the Central States as in New England.

Regional trade is much more important in dollar value than international trade. Tariffs, exchange restrictions and differences in language, institutions, etc., do not hamper trade as they do international trade. Hence the loss of an industry or markets to another region may be telescoped into a relatively brief time. But whereas no government would allow marked penetration of a market by a foreign country over a short period with the ensuing hardships, the United States Government has gone out of its way to aggravate the regional adjustment problem.

Not only has the government over the last 20 years, by pouring money into the low-income states of the Southeast and the agricultural Northwest, slowed up the migration from these states to higher income states (e.g., New England obtains 4.09% of its major income from the Federal Government; Central States, 4.23; Middle Atlantic, 5.57; but the Southeast, 8.30, and the Far West, 7.82), but even as older regions were losing ground, the Federal Government, through outlays on research, on power, offer of special tax favors, through its farm pricing policies, through its tariff policies (cutting tariffs on manufactured goods and raising them on agricultural products) — through all of these the government was accelerating the losses of the developed regions and putting too great a burden on the adjustment process.

Trade unions, insofar as they were strong in the developed regions and weak elsewhere, and thus tended to keep wages up in the Northeast and Middle West and allowed them to fall relatively in the South had effects similar to government.

It is well to be clear that the great industrial regions have to pay for their food and raw materials by exporting goods and services. That New England's relative employment in agriculture is but 31% of the nation's and the Middle East (New York, Pennsylvania, etc.) but 26%, suggests that these regions must export manufactures and services to pay for food and raw materials if they are to survive as populated areas. In order to export they must, in the face of new competition, cut prices relatively and eventually wages, or (what is difficult in view of the great advantages of the underdeveloped regions with special access to construction of most modern plants and use of newest techniques, and their fanatical determination to industrialize) reduce unit costs through a relative rise of productivity. Failing here, they must find alternative employments. There is evidence that some of these adjustments are made but very slowly and with long periods of unemployment (obscured to some extent recently by government spending policies). Evidence of some adjustment is found, for example, in the large relative reduction of wages in New England. Nor do incomes and **prices** rise sufficiently in the developed regions to provide adequate alternative markets for developed regions—in part because the large surplus labor supplies tend to depress wages.

Government and unions alone are not responsible for the high costs of adjustments as older regions lose industries. The movement of labor and capital into new industries is altogether too slow, and in part because capital and management do not seek out the depressed towns or regions. But perhaps even more important is the fact that the export adjustments have to be concentrated on a small part of the region's economy. A large part of the employment of the region is in domestic industries; and even in manufacturing, a large part is tied to the location of raw materials and markets. Hence, in a peacetime economy it would not be easy for New England to find substitute employments and exports for textiles and shoes, or the Middle East for textiles, tobacco, and metals, or the Central States for metals, machinery, etc. In the body of this paper, I have tried to show how limited the area of employment is which would have to yield alternative sources of exports. Of course, the way is open for New England, the Northeast and the Middle West industrial states to return to agriculture and import less; but this would be a very costly readjustment.

21 *Regional Trends*, p. 87.
22 *Ibid.*, calculated from pp. 118-119.

Relative Importance of Major Industries in the Regional and National Economies, 1949, and Changes in Percentage Points, 1929 to 1949

	United States		New England		Middle East		South East	
	1949	% Points Change, 1929 to 1949	1949	% Points Change, 1929 to 1949	1949	% Points Change, 1929 to 1949	1949	% Points Change, 1929 to 1949
Gross wages and salaries plus net income of farm proprietors, to total	100	0	100	0	100	0	100	0
*Agriculture (prop. income plus wages & salaries)	10.62	—.86	3.33	—.37	2.74	—.29	17.70	—7.68
Wages and salaries: †Mining	2.08	—.69	.15	.14	2.58	—.99	2.40	—.18
‡Construction	4.69	—.40	4.22	—1.91	4.49	—1.77	4.55	1.28
†Manufacturing	30.00	1.84	41.16	.31	33.59	2.77	23.01	3.77
Above four commodity producing industries	47.39	—.11	48.85	—2.11	43.40	.28	47.66	—2.80
¶Trade	17.53	2.30	17.42	2.03	18.66	3.19	15.66	3.17
†Transportation	6.54	—1.74	4.84	—.20	6.59	—1.20	6.60	—3.52
†Power and gas	1.15	.02	1.16	—.01	1.18	—.16	1.04	.21
‡Communications	1.43	.21	1.50	.39	1.63	.10	1.13	.25
‡Finance, industry and real estate	3.56	—1.43	4.22	—.83	4.65	—2.21	2.80	—.48
‡Federal government	5.47	3.18	4.09	1.96	5.57	3.12	8.30	5.17
*State and local governments	6.54	.30	6.89	.45	6.29	.38	6.65	.46
*Services	8.46	—.86	9.41	.12	9.92	—.72	8.19	—1.32
*Miscellaneous	1.95	—1.85	1.61	—1.80	2.11	—2.24	1.97	—1.14
Above nine non-commodity producing industries	52.62	.12	51.14	2.11	56.60	.27	52.34	2.80

*Lowest earnings industries. †High earnings industries. ‡Medium earnings industries. ¶Wholesale: high earnings; retail, medium earnings.

SOURCE: Adapted from **Regional Trends.**

Relative Importance of Major Industries in the Regional and National Economies, 1949, and Changes in Percentage Points, 1929 to 1949

	South West		Central		North West		Far West	
	1949	% Points Change, 1929 to 1949	1949	% Points Change, 1929 to 1949	1949	% Points Change, 1929 to 1949	1949	% Points Change, 1929 to 1949
Gross wages and salaries plus net income of farm proprietors, to total	100	0	100	0	100	0	100	0
*Agriculture (prop. income plus wages & salaries)	22.89	—3.02	10.83	—.14	29.02	—3.88	9.79	—1.65
Wages and salaries: †Mining	6.43	—1.89	1.06	—.37	3.23	—1.74	1.10	—1.25
‡Construction	5.24	.75	4.25	—.71	4.93	2.58	6.31	1.58
†Manufacturing	12.87	2.40	37.63	4.03	11.49	1.15	21.55	1.28
Above four commodity producing industries	47.44	—1.75	53.77	2.82	48.67	—1.89	38.75	—.04
¶Trade	16.79	1.34	16.77	1.18	16.32	2.53	20.03	2.59
†Transportation	7.39	—2.30	6.48	—1.90	8.33	—1.70	6.19	—2.13
†Power and gas	1.36	.20	1.16	.04	1.10	.23	1.12	.18
‡Communications	1.32	.36	1.28	.19	1.30	.33	1.74	.33
‡Finance, industry and real estate	2.86	.06	2.96	—1.13	2.50	—.48	3.82	—1.59
‡Federal government	7.17	4.23	2.93	1.44	6.30	3.06	7.82	5.17
*State and local governments	6.2	.04	5.97	.08	6.98	—.55	8.25	.26
*Services	6.75	—.56	7.03	—.83	6.09	—.27	10.40	—2.22
*Miscellaneous	2.71	—1.61	1.64	—1.72	2.43	—1.23	1.88	—2.55
Above nine non-commodity producing industries	52.56	1.75	46.22	—2.83	51.35	1.90	61.25	.04

*Lowest earnings industries. †High earnings industries. ‡Medium earnings industries. ¶Wholesale: high earnings; retail, medium earnings.

SOURCE: Adapted from **Regional Trends.**

Zilka, Smither Co. Formed in Portland

PORTLAND, Oreg. — Zilka, Smither and Company, a new Oregon corporation, will take over the complete investment services


Henry J. Zilka Arthur W. Smither

in Oregon and Southwest Washington of J. R. Williston, Bruce and Company, formerly Conrad Bruce and Company. On Jan. 2, 1954, this new organization acquired all of the Oregon assets of the former company and will continue to operate in the same office locations in Portland, Vancouver, Salem, Eugene and Medford, according to word from Henry J. Zilka, resident partner of J. R. Williston, Bruce and Company.

Officers of the new firm are Mr. Zilka, President; Arthur W. Smither, Vice-President and Present Manager of the Salem office of J. R. Williston, Bruce and Company; E. H. Greene, Vice-President and George Geist, Jr., Secretary-Treasurer, both of Portland. A staff of 38 persons of the five offices is joining with the new firm as principals or employees.

Mr. Zilka is a present member of the National Board of Governors of the Investment Bankers Association of America. He is a past President of the Portland Bond club and former Chairman of the Investment Bankers Association of the Northwest. He entered the investment business in Portland in 1918, joined Conrad Bruce and Company in 1930 and was Vice - President for many years. He has managed the Portland office of J. R. Williston, Bruce and Company as resident partner for the past year. Arthur W. Smither was associated with banking in Salem for many years. He was formerly Vice-President of Conrad Bruce and Company and Manager of their Salem office since 1933. He has been Manager of the Salem office of J. R. Williston, Bruce and Company for the past year.

"Zilka, Smither and Company will continue the investment services developed over the past 20 years by the preceding companies for this area," Mr. Zilka stated. "We have established direct wire service with 22 participating firms throughout the United States and Canada. Our present research department will be continued, with inprogramming, estate planning and mutual funds as part of our service to clients."

The Portland offices of Zilka, Smither and Company, Inc. comprise the entire eighth floor of the Woodlark Building, 813 S. W. Alder Street. Principals here in addition to Zilka, Smither, Greene and Geist are Fred Lothrop, Sr., Manager research department; P. A. Kosterman, Manager trading department; Derele Swails, assistant trading department; H. D. Christianson, Cashier; James H. Zilka, Sales Manager; Merton R. DeLong. Arthur S. Olsen, John F. Moffett, Walter F. Cozad, Joseph F. Barbagelata, C. Gordon Childs, John David Zilka, Edward I. Hagen and Frank R. Johnson.

Salem offices are located at 203 Oregon Building with Arthur W. Smither, First Vice-President; Harold F. Smither, Assistant Secretary; Ralph A. Smither and Henry A. Willecke as principals. Eugene offices are in the Tiffany Building with Jack Danby, Manager; Richard Langton and Bruce Bales as associates. Medford offices are located in the U. S. National Bank Building with Richard E. Watson as Manager. Vancouver, Wash., offices are at 1010 Washington Street with Fred A. Lothrop, Jr. as representative. George C. Gladden represents the company in White Salmon, Wash.

Smith, Barney Group Offer Atlantic Ref. Co. 3¼% Debentures

Public offering of $55,000,000 Atlantic Refining Co. 25-year 3¼% debentures, dated Jan. 15, 1954 and due Jan. 15, 1979 was made yesterday (Jan. 6) by an underwriting group headed by Smith, Barney & Co. The debentures were priced at 101% to yield 3.19%.

The debentures will have the benefit of an annual sinking fund commencing in 1959 sufficient to retire 50% of the issue by maturity.

Net proceeds from the financing will be added to the general funds of The Atlantic Refining Co. Such funds will be used, among other things, for repayment of short-term bank loans, for acquisition and development of additional crude oil production and for expansion and improvement of refining, transportation and marketing facilities. Short-term bank loans in the amount of $46,000,000 are currently outstanding, all or most of which are expected to be repaid from the proceeds from the sale of the debentures.

Capital expenditures of the company and its consolidated subsidiaries for properties, plant and equipment (excluding dry hole drilling costs) approximated $370,000,000 during the last six years. Capital expenditures in 1953 were about $85,000,000 and, the company stated, will be approximately that amount during 1954.

Income available for interest for the nine months ended Sept. 30, 1953, was $41,617,000. Net income for the period, after all charges, was $33,010,000. For the year 1952 the company reported gross operating income of $602,805,000; income before interest and debt discount, $52,554,000; interest and discount, $1,360,000; and net income $40,476,000.

The debentures will be redeemable for the sinking fund at 101%, plus accrued interest. They also are to be redeemable at the option of the company at prices ranging from 104¼% to 100%, plus accrued interest, depending upon the date of redemption.

Eastern Securities Wire To White in St. Louis

Eastern Securities, Inc., 120 Broadway, New York City announces the installation of a direct private wire to White & Company, Mississippi Valley Building, St. Louis, Mo., members of the Midwest Stock Exchange.

Joins Reinholdt Gardner

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mo.—Ruth E. Carter has joined the staff of Reinholdt & Gardner, 209 South Jefferson Avenue.

Zingraf Partner in Laurence Marks Co.

Charles M. Zingraf

Laurence M. Marks & Co., 49 Wall Street, New York City, members of the New York and American Stock Exchanges, have announced that Charles M. Zingraf has been admitted as a general partner in the firm.

New Kidder Branch

PALM BEACH, Fla. — A. M. Kidder & Co., members of the New York Stock Exchange have opened their 15th all-year round Florida office in Palm Beach.

J. A. Overton Forms Own Investment Co.

CLEVELAND, Ohio—Joseph A. Overton is forming J. A. Overton & Co. with offices in the National City Bank Building, to conduct a general investment business specializing in state, municipal and public revenue bonds. The new firm will succeed to the municipal bond business of T. H. Jones & Company, which is withdrawing from the municipal bond business.

Elected Directors

Joseph Scribner and H. R. Hosick have been elected Directors of Continental Transportation Lines, Inc., a common motor carrier with headquarters in Pittsburgh, Pa., operating 12 terminals in the New York-New Jersey-Pennslyvania-Ohio area of the United States.

Mr. Scribner is a partner in the investment banking firm of Singer, Dean & Scribner of Pittsburgh, and Mr. Hosick is President of Potter Bank & Trust Co. of the same city.

Gartman, Rose & Co. Opens in New York

Left to right: Leo J. Goldwater, Charles Rose, Mortimer J. Gartman, Daniel Cowin

The formation of the securities firm of Gartman, Rose & Co., members of the New York Stock Exchange, with offices at 1 Wall Street, New York City, was announced Jan. 1. The principals in the new firm are Mortimer J. Gartman, Charles Rose, Leo J. Goldwater and Daniel Cowin. Margaret L. Kastor is a limited partner. Messrs. Rose, Cowin and Goldwater retired from Hettleman & Co. as of Dec. 31.

Mr. Gartman, who is a general partner in the new firm, was for many years associated with Josephthal & Co. and has been a partner of that firm since 1943.

Mr. Rose was Manager of the securities department of Hilson & Newburger from 1927-1933, when he joined Wertheim & Co. as a customers' man. For a year, beginning in 1937, he was Manager of Emanuel & Co.'s investment department, and joined Hettleman in 1938.

From 1939-1944 Mr. Goldwater was President and director of L. J. Goldwater & Co., Inc., and a partner in L. J. Goldwater & Co. from 1944-1946. During the period 1946-1948, he was a partner in Goldwater, Frank & Ogden, Goldwater & Frank and sole proprietor of Leo J. Goldwater. In January, 1949, he joined Hettleman & Co. as a member of the New York Stock Exchange.

Mr. Cowin spent four years in the Navy and upon his release, joined Abraham & Co. as an analyst. In 1948 he organized the Mutual Funds Department of Ira Haupt & Co. and managed that department until 1950. In 1950 he became Research Department Manager at Hettleman & Co. and was named a general partner in the firm in January, 1952.

Continued from page 13

The Confused Conceptions Of the Guaranteed Wage

inition was spelled out by many hundreds of words.

Obviously, the slow rate of expansion of private guarantees was a disappointing showing for 50 years of experimentation. Especially disappointing was it, since Latimer noted that Section 7 (b) (2) of the Wage and Hour Law of 1938, and a special provision [Section 1602 (a) and (c)] of the Social Security Act of 1935—both designed to foster guaranteed wage plans—were relatively unproductive of results. Corresponding provisions in the laws of seven States proved similarly unproductive.

Furthermore, Latimer reported the employment fluctuations of 42 establishments from 1937 to 1941—a period of general expansion with, however, a short but deep depression in 1937-38—including automotive, steel, glass, rubber, meat packing and other foods, services and others. Where the traditional guaranteed annual wage was practical it wasn't much needed and where the layoffs were greatest, it was wholly impractical.

Latimer found that instability varied widely. The outlays for a fully guaranteed annual wage in the durable and heavy goods industries would have involved prohibitive costs. In 1938 for several automobile plants the costs would have been 100% of payrolls or more. In a single iron or steel plant the costs would have been 222% of the payroll. In other unstable plants the costs would have run from 100 to nearly 200%.

Again, this was disappointing. It drove Latimer to the idea of rigidly limiting private guarantee outlays and of promoting supplements to unemployment compensation, but the name "guaranteed wage" was retained. The limitations and restrictions were designed to make the guaranteed supplements palatable to employers and the public.

Our own recent study included data on fluctuations of production workers (not heretofore available) in the two prosperous years ending December, 1952.[3] The data for a small sample of agricultural machinery companies (along with other industries) show that the median company suffered a decline from its highest to its lowest month of 56%. And this was a period of very high, perhaps abnormally high, prosperity.

Why the disappointing findings of Latimer did not make a greater impression on those concerned with the guaranteed wage in the seven years after publication of the report remains a mystery. Perhaps the Latimer findings were ignored because of the subsequent prosperity. Perhaps this neglect is traceable to the unreadable character of the report. It is poorly organized, obscure, ambiguous, repetitious, it has many internal contradictions and the sentence structure is awkward. Any professor who wants to punish a student need only assign him to study this report. Perhaps the economic studies by Professors Hansen and Samuelson, included as Appendices, disillusioned exponents of the guaranteed annual wage, and the proposed idea of supplementing unemployment compensation lacked the lure of the guaranteed annual wage.

Employers, nevertheless, would be well advised to study this report. A report that cost the taxpayer a quarter of a million dollars, furthermore, should not receive such neglect and shabby treatment. Also, in the spring of 1953 the CIO President said that this time "we mean business" and "we don't want to hear, a year from now, that employers first have to study the matter."

Maintaining Purchasing Power

That the guaranteed wage will assure sustained prosperity through the maintenance of purchasing power is commonly advanced. In spite of its surface plausibility, this view has not found defenders among experts in cycle theory. No recognized economist has found it possible to assign any substantial validity to this argument, and some, on the contrary, have concluded that the added rigidity of the guaranteed wage might make depressions and underemployment more probable.[4] Here, today, in spite of its importance we do not have time to examine the argument further.

Supplementing Unemployment Compensation

All of this disillusionment drove Latimer into the new line of approach. Although unemployment compensation laws had been in operation for a decade or more, it was suddenly realized that under these laws most employers already had to pay a guaranteed wage and most employees had a wage guarantee. Why not graft the private guarantee onto this structure?

Thus, Latimer said:

"The problems inherent in guaranteeing wages are substantially those involved in extending and increasing unemployment insurance benefits; for neither with respect to emphasis on employment stability nor with respect to paying idle workers are there basic differences between the two approaches." (Page 6 of Report.)

To emphasize this analogy between private guaranteed wages and unemployment compensation, he went on to say:

"It is sometimes said that a guarantee of wages is to be distinguished from unemployment insurance because the former emphasizes the provision of work whereas unemployment insurance emphasizes the payment of income when no work is performed. This distinction is not as tenable as might at first sight appear."

Again, he stressed the analogy in these words:

"In terms of the intent of those who framed the existing institution of unemployment insurance in the United States, however, it would be incorrect to say that unemployment insurance was any less aimed at providing work, instead of pay for idle time, than are wage guarantees."

Speaking of unemployment compensation, Latimer made the startling statement that, "Its existence constitutes the largest single bulwark against a recurrence of a period like 1929-35.". He was thoroughly sold on it — perhaps oversold on it as a contracyclical weapon.[5] But if it is such a "bulwark," why not build on it?

In spite of Latimer's repeated observations of the similarity of unemployment insurance and the private guaranteed wage, both as to benefit payments and as to providing employers with an incentive to stabilize operations, his report has a "built-in" hostility and bitterness toward experience rating. In page after page experience rating is strongly criticized; yet for the most part the private guaranteed wage is justified on experience-rating grounds, as already noted in the quotations above.

And all major union demands from professional labor leaders for the private guaranteed wage in the last two years have repeatedly used this same argument. They now argue that the conversion of labor costs into a nonavoidable overhead cost would stabilize or help stabilize our economy.

For 15 years most labor leaders have had nothing good to say about experience rating. They have argued that unemployment is a national problem requiring national action, and one over which individual employers have little or no control. Now, suddenly, all these arguments are swept into the wastebasket. Some others who have accepted this attitude toward experience rating may now reappraise their attitude.

While there is some hedging, the UAW-CIO now says that any guaranteed wage program should: "Provide the strongest practical incentives to employers to plan for regular, full-time, year-round employment for all their seniority workers and to provide regular income to those seniority workers when the employers fail to provide such employment."

The 15-year record of hostility to experience rating grossly exaggerated the impotence of the employer in overcoming some types of unemployment such as seasonal and other short-run. Now the new revelation grossly exaggerates the ability of employers to take action which will overcome depressions and assure continuity of jobs, or income, or both. This type of exaggeration and reversal of position is confusing to employers. It makes it difficult to discern what labor leaders or their advisers really do believe.

George Meany, President of the American Federation of Labor, on the other hand, stated:

"We have not pressed that demand. We may come to it some day . . . it's almost an impossibility under our economic system to have a guaranteed annual wage in certain types of business . . . there are millions of workers with corporations that couldn't possibly make such a guarantee." (U. S. News and World Report," Nov. 6, 1953.)

Meany explained that in some cases a guarantee might be possible where market demand is stable and predictable and where building for stock during slack times is possible. He took almost the identical position which was expressed in the National Chamber's recent pamphlet, "The Economics of the Guaranteed Wage." It was shown that the prior stabilization of production, or sales, or both; was a prerequisite to any all-out guarantee.

While this makes sense, some other labor leaders are moving all over the lot. The United Steel Workers' Union has done enough work to recognize the severe limitations which must be placed on the guaranteed wage or wage supplements. (Alcoa negotiations, 1953.) This modesty, of course, may be temporary.

The UAW, on the other hand, asked for guarantees virtually without limit in these words:

"All workers should be guaranteed employment or guaranteed payments from the time they acquire seniority. The guarantee should assure protection against *a full year of layoff* for all eligible workers and for shorter periods on a graduated basis for those who have not worked the minimum qualifying period." (Italics added.)

Then it goes on to say:

"The guaranteed annual wage plan, therefore, must provide protection for both low and high seniority workers and for all those in between."

In spite of Latimer's recognition of the limitation on the capacity of the employer to guarantee year-round wages to all or virtually all workers, the UAW nevertheless demands full take-home pay:

"Guaranteed annual wage payments should be made to workers for whom management fails to provide work, in amounts sufficient *to insure take-home pay adequate to maintain the living standards which the worker and his family enjoyed while fully employed.*" (Italics added.)

This is to be accomplished, however, by integrating the private guarantee with the public guarantee (UC).

Then we come to a bit of curious logic:

"Guarantee payments should be integrated with state unemployment compensation benefits so that employers can reduce their liabilities by effectively working toward the improvement of the state laws."

Since employers already finance unemployment compensation, it is difficult to see how the grafting of the private guarantee onto UC would "effectively" reduce employers' "liabilities."

Even more difficult to understand is this statement:

"The higher state unemployment compensation benefits are raised, the greater the number of weeks for which they are paid, and the fewer the unjust excuses for disqualifying workers from eligibility for benefits, the lower will the cost of the guaranteed wage be to the corporations."

Does this mean that the union believes that greatly improved and expanded UC is costless? Or, does it mean that the union figures that employers do not know that they pay the UC tax and, therefore, they will joyously urge expansion of UC benefit levels and duration? And if such expansion goes far enough then the private guarantee would be costless?

Indeed, the UAW convention resolution in 1953 advanced the private guarantee demand as a primary weapon in getting extension and increases in state UC benefits.

Codetermination

Another matter that bothers employers is the codetermination approach of the CIO. The UAW in its annual convention in 1953 demanded joint administration of the guaranteed wage funds.

In supporting this approach the ideas and language of the CIO 1951 Codetermination Resolution were invoked. This called for joint union control of prices, production levels, rates and nature of capital investment, rates and nature of technological changes, the size and the location of industrial plants, and a number of other matters now decided by the judgment of the owners and executives of the enterprises under the pressure of competitive forces and free markets, war and mobilization demands, etc. Under this approach industry-wide and even interindustry cartel-like arrangements would be set up. Indeed, Philip Murray in supporting the Resolution endorsed it by showing its similarity to the NRA codes in 1933 which exempted industry from antitrust provisions.

The UAW demands a curious combination of,

(1) Pay-as-you-go individual employer responsibility for the guarantee so "that every layoff will immediately be reflected on the corporation's books in terms of increased costs" [Experience rating!]

(2) A reserve trust fund to meet cyclical declines, and

(3) Provision for "reinsurance" to reduce the size of the required reserves and to spread the risks of abnormal unemployment over the widest possible area of the economy, possibly interindustry arrangements or a final levy on the general taxpayer. The Dec. 6 UAW report requests "proper distribution of the risks of major fluctuations over the economy as a whole."

No doubt there is some reason for such a complicated administrative and financing approach. It opens the door for expanding costs by appearing to presume that there are three separate sources of funds (or, four including UC) that can be tapped. But ultimately all costs would come out of payroll contributions—unless the latter, "proper distribution of the risks of major fluctuations over the economy as a whole," were to be financed by general taxation. This, under our tax system, would mean further levies on personal and business incomes.

Double Rules and Bureaus

The UAW demands, furthermore, that decisions of the Joint Board with respect to eligibility and disqualifications should be made independently of decisions made by state UC agencies. Thus there would be two sets of rules in determining benefit amounts, eligibility, disqualifications, etc.—an open invitation for endless bickering and dispute. Employers will have to support two sets of bureaus—one public and one private to administer the two systems.

The UAW has a low opinion of the state UC agencies:

"The state agencies are under the thumb of state legislatures which, in many cases, are almost completely under the domination of management lobbyists. It would be unwise to entrust gains won in collective bargaining to state representatives subject to intimidation directly or indirectly by agents of the corporations.

"With integration of guarantee payments and unemployment compensation benefits, and independent determinations made by the Joint Boards, employers will have a strong incentive to work for relaxation of the vicious disqualification provisions now present in some of the state laws and administrative decisions made under them. If the worker is held ineligible to receive his unemployment compensation benefit from the state on some flimsy, unreasonable basis, the employer will have to bear the full cost of the guarantee. Under those circumstances, we can expect that employers will take quite a different view from that they now hold with respect to the terms and administration of the disqualification provisions of the state laws."

To qualify for UC benefits a worker must have been in covered employment for a specified period and earned a specified amount.

Furthermore, he must:

(a) Be registered for employment.

(b) Be available for work.

(c) Be actively seeking work (in about half of the states).

He also must *not* have turned down "suitable work" and he must be unemployed through no fault of his own or at least he must have "good personal cause" for

3 "The Economics of the Guaranteed Wage," Chamber of Commerce of the U. S. A., Washington 6, D. C., 35 pages, 50 cents. The figure quoted, of course, tells us nothing about UC costs, or what combined UC and private guarantee would cost. This would depend on the promptness with which disemployed workers found and accepted jobs elsewhere, which in turn would be some function of the level and duration of idletime benefits.

4 For careful examination of this argument see: A. D. H. Kaplan, "The Guarantee of Annual Wages," Chapter VII. Several other economists noted for their objectivity have come to similar conclusions. See particularly: Rita Ricardo, "Annual Wage Guaranteed Plans," *American Economic Review*, December, 1945, p. 870; Wassily Leontief, "The Pure Theory of the Guaranteed Annual Wage Contract," *Journal of Political Economy*, February, 1946, p. 76.

5 This does not mean that we are helpless in dealing with cyclical instability. See: "Sustaining Prosperity," Chamber of Commerce of the United States, Washington 6, D. C.

leaving his last employer or for his unemployment.

This guaranteed wage system (UC) has been successful and been made to work because the state legislatures have kept the benefits at a level such that a worker with family reponsibility could not afford benefits if work was available.

But suppose the combined UC and the private guaranteed wage equaled full wages, or ¾ full wages as demanded by the United Steel Workers' union in negotiations with Alcoa in 1953, serious problems could arise. Re-employment after layoffs would be retarded. If full or nearly full take-home is provided what is to prevent an older worker from saying, "Don't give it to the fellow with low seniority; I'll take the benefit."

If he wanted to do so, a worker could quit his job voluntarily and even leave the labor market. A few weeks later by simply changing his mind about work, he could qualify for benefits.

Or, suppose he is laid off and collects the combined high benefit. The unions agree that he should be required to accept other "suitable" job offers, but he should not be required to look for any (demand in Alcoa case).

What is "suitable work?" The unions may claim that it means "at his trade," "near where he lives or wants to live," "near the bus line," "at his highest rate of pay," *etc.* But if he does not want to work because of the high idle-time pay, he can refuse job after job on scores of grounds of unsuitability. Or, when interviewing an employer to whom he has been referred he can readily convey to him his lack of interest in working for that employer and no employer will hire an unwilling employee. So long as unemployment benefits are at moderate levels this is not a major problem. The state legislatures have clearly understood this matter and have aimed at benefit levels not over 50% of regular weekly wages and with duration not to exceed five or six months.

Under the Veterans Readjustment Act, veterans in Puerto Rico received benefits about equal to wages. From 1944 to 1950, 62% of them remained unemployed long enough to exhaust their rights under the law, as against about 10% in the United States and 2.4% in Wisconsin as shown in the accompanying table.[6]

Exhaustions Under Veterans Unemployment Allowances

(1944 Readjustment Act, September, 1944 to December, 1950, inclusive)*

	Initial Claims	Exhaus-tions	% of Ex-haustions
Puerto Rico	50,521	31,499	62.3
New York	1,099,531	84,832	7.7
Wisconsin	170,528	4,156	2.4
All States	8,994,142	937,432	10.4

*GI Bill 1944, unemployment allowances of $20 per week up to 52 weeks.

Under the 1952 law the exhaustion figures have been 33.6%, 11.2% and 3.5%, respectively.

Exhaustions Under Veterans 1952 Readjustment Act

(October 14, 1952 to October, 1953, incl.)*

	First Payments	Exhaus-tions	% of Ex-haustions
Puerto Rico	3,711	1,247	33.6
New York	4,710	155	3.3
Wisconsin	1,009	35	3 5
All States	92,194	10,350	11.2

*The Veterans Readjustment Act of 1952 provides $26 per week up to 26 weeks. Cumulative total of first payments from Oct. 14, 1952 (starting date) through April, 1953. Due to 26-week duration, no claimant could have exhausted his rights unless he had first payment prior to the close of April; hence the first payments as of the close of April are shown.

Abuse of UC during the reconversion period was widely discussed. Many state legislative and administrative investigations were made. New York had to open several Florida offices to check on beneficiaries. A series of articles in "The Sun" (Baltimore) on this problem won for its author the Pulitzer prize.

Father Joseph M. Becker has spent years studying abuse in UC and has some things to say which are highly relevant for any employer who is considering UC supplements. He found that most popular claims of widespread chiseling, malingering and fraud were exaggerated.[7] Unfortunately, his study sheds little or no light on the more important economic problem of the relation between benefit levels and work incentives. In some circles merely to raise this question is enough to cause some to rise in indignation with the epithet, "So you think American workers are malingerers and chiselers?" When confronted with the dubious legislative proposals in 1945 Senator Arthur Vandenberg helped to put this point in better perspective by saying, "We are not a nation of malingerers, but we are notorious bargain hunters."

Before we endorse the idea of private guarantees supplementing UC we badly need more light (and less heat) on the relation between UC levels and work incentives. Here we are dealing with a phase of human nature and human relations that is surcharged with emotion. Under many state laws, particularly those with dependents' benefits, UC frequently approaches or exceeds 100% of wages. What has been the relation between length of unemployment and the benefit-wage ratio? What has been the experience of benefit exhaustions and (1) effective return to the labor market, (2) promptness of re-employment (a) through E. S. and (b) without aid of E. S.? Many states having no legal provision that a beneficiary must "be actively seeking employment" have found it necessary, nevertheless, to apply the law so as to make this a requirement after a time for continued benefit payments.

All these questions will become much more important if UC is supplemented by private guarantees. One does not need to lose faith in human nature to see that these will become important questions, and for the "doubting Thomases," a reading of Father Becker's book is recommended.

Before employers allocate a lot of time to make a new study of the private guarantee of wages, they should first study the workings and procedures under the state UC system.

Furthermore, 3.2 million individuals in the United States entered the labor force from one month to the next and a comparable number withdrew throughout 1952. The figures for 1953 are similar. (These figures do not include voluntary shifts between jobs, nor layoffs for lack of work.) But they do suggest that a very large number of persons, perhaps 10 to 20 million, do not want steady work, or do not find the type of work or pay to make it worth their while to remain steadily in the labor market. Now, if a high combined UC and guaranteed wage is established, many of these people may make every effort to qualify for the benefits. Having an inherently tenuous connection to the labor market, it would not require too much ingenuity on their part to rearrange their plans and actions so as to qualify, especially under the UAW insistence on covering even short-term employees.

And, if, by union agreement, full or nearly full take-home wages are paid to some workers for idle-time, how can we in good conscience bar millions of these in-and-out workers from equal or proportionate benefits if they change their minds and decide that they are in the labor market?

Some labor leaders have accused the state legislatures of undue niggardliness in UC benefit formulae. Suppose that at some future date after many employers have adopted a private wage guarantee supplement, it were found that farmers and others complained of labor shortages while many were collecting double unemployment benefits. State legislatures might consider that a mistake had been made in legalizing the simultaneous collection of UC and supplementary private guarantees. Such a condition is not hard to foresee.

State Unemployment Compensation Is Wage "Supplementation"

State UC employer contributions since 1945 have averaged under 1.50% of covered payrolls ($3,000), and in 1952 they were 1.45%.[8] UC benefits themselves are guaranteed wage *supplements.* If a worker's earnings fall below a certain level UC will "supplement" them. Thus the private guarantee would be *a supplement to a supplement.* A contribution of about 10 cents per hour is frequently mentioned — about 6%. Thus the new "supplement" would cost about 500% of what is to be supplemented — a rather heavy "supplement"!

By tying the private guarantee in with UC and making it a requirement that both be paid concurrently, it is made to appear that the cost of the additional guarantee is modest. Actually, the opposite could occur. In States that do not have effective experience rating and where, therefore, the employer can shift part of his UC cost to the general UC reserve fund, each employer may tend to expect that he is getting other employers to finance part of his unemployment. Thus, the supplementation of UC may place a powerful drain on UC reserves and ultimately generate pressure to raise the maximum contribution rate above the current normal maximum 2.7% of covered payrolls. This is one of the stated purposes of some union proposals. Thus, even if the private guarantee outlays were kept modest, the combined outlays may be large.

Other Plans

The idea of supplementing UC benefits by private guarantees should be examined critically. In States which have thorough-going experience rating such as Wisconsin, once the employer has built up his legal State reserve to enable him to qualify for the zero contribution rate, a guarantee wage supplement would make little sense. If he dips into his State reserve, he must promptly replace it. The employer, if he must enter a private wage guarantee or desires to do so, would question the wisdom of a UC supplement. Rather, he might prefer simply to dig into his working capital and finance the guarantee as he sees fit out of non-UC State funds. Then he knows what the cost will be, and this will give him a maximum incentive to stabilize employment, keep his eye on costs, instead of being misled by dipping into several different funds —as would occur under supplementation. Friction and confusion would be minimized and the senseless duplication of administrative agencies would be avoided as would the dual standards of benefits, eligibility, etc.

Most of us would quickly accept any added security offered to us without cost; but it would be worthwhile to find out which workers and how many workers, industry by industry and plant by plant, would in a secret vote favor a supplementary guaranteed wage financed by employers at say 10¢ per hour, if the alternative were a current 10¢ per hour wage increase, or if they understood that such sequestration of funds would retard subsequent wage raises. The older regular employees with considerable seniority and steady jobs over the years already have about the same security as the office, salaried and executive personnel. Would they vote themselves a 10¢ per hour wage reduction?

The proposal that the employer be required to set aside, say, 10¢ an hour in a private trust fund to finance subsequent unemployment is in a sense a form of compulsory saving. It is argued that a sum of 10¢ an hour is a modest demand. An alternative would be for the union to set up its own fund in a thoroughly democratic way, collecting this modest sum from thousands of its members, instead of from one source—the employer, and then paying out the benefits when the members are laid off. In this way the union could administer the fund all by itself, would not have to consult management and would run into no legal or other conflicts with State UC.

The success of the Hormel Plan is due primarily to the exemption from paying overtime under Section 7 (b) (2) of the Fair Labor Standards Act. The guarantee costs Hormel relatively little. In 1949 the Act was made slightly less rigid. But since only four or five companies operate under it, it needs modification so as to make it more practical to enter reasonable guarantee agreements and it should not be limited to unionized workers, as it is now.

Other plans such as the "loan" plan or wage advances during slack periods merit consideration. Workers' savings plans, or joint savings plans, were tried before World War II, and some of them were helpful.

American employers have made great progress in ironing out seasonal and other short-run instability. Some could do more. If they want to formalize commitments to hire or pay employees on some continuous basis, there are many ways of doing it and many of them merit exploration. But supplementing State UC is now illegal. If it is a good idea, employers should help to remove the legal barriers. That it is a good idea has not been demonstrated, and in any case, it would lead to many administrative complications and duplications and could have material effects on work incentives.

Insecurity is something we all strive to avoid. Employers have a responsibility to do what they can to stabilize their operations and to help their employees in a sound and practical way to prepare for the rainy day.

6 Sometimes it is argued that a high rate of exhaustion is evidence of inadequate duration. This is not necessarily so.

7 "The Problem of Abuse in Unemployment Benefits," Joseph M. Becker, *Columbia University Press*, New York, 1953. This is the first general extended study of abuses and contains much useful information.

8 In 1952 the average UC contribution rate was about 1.07% on total wages paid and 1.45% on taxable wages.

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The State of Trade and Industry

doubtful that any guaranteed annual wage concessions can be negotiated, it concludes.

Steel Output Scheduled at 75% of Capacity This Week

The year just starting to unfold should bring the second best year in metalworking, says "Steel," the weekly magazine of metalworking. That's the belief expressed in a poll "Steel" made among more than 5,000 top executives.

Volume of sales would total $124 billion, only 2% below the record $126.6 billion rung up in 1953, it states.

Never before has the steel industry been in such a good position to fulfill demand. Its capacity is the largest ever—approximately 120 million net tons of steel for ingots and castings, compared with 117.5 million tons a year ago, declares this trade weekly.

Now that the steel industry has caught up with and overtaken demand, it's possible the steelmaking capacity may be cut down from its record high of around 120 million tons. At least 5 million tons of this capacity, and perhaps as much as 10 million tons, represent marginal high-cost facilities which can be operated only in time of peak demand, Bennett S. Chapple Jr., Assistant Executive Vice-President of the commercial division, U. S. Steel Corp., estimates. Some of this high-cost capacity has been kept intact only because it was needed until the latter part of 1953. How much will be eliminated? Early in 1953, Joseph L. Block, Executive Vice-President, Inland Steel Co., predicted that obsolete capacity that would be dismantled in the United States in the next two years would not exceed 1 million tons.

Any reduction in capacity probably would be only temporary, notes this trade journal. The country's population and standard of living are growing and for some time we'll have a defense program. These suggest the long-range trend of steel needs will be upward, it concludes.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 75% of capacity for the week beginning Jan. 4, 1954, equivalent to 1,788,000 tons of ingots and steel for castings.

This is the first time the industry's ingot production rate is figured on the basis of the new weekly capacity rate of 2,384,549 tons. Last week the rate was 75.7% (actual), yielding 1,706,000 tons.

For the like week a month ago the rate was 86.7% and production 1,955,000 tons. A year ago the actual weekly production was placed at 2,213,000 tons and the operating rate was 98.2% of capacity. The percentage figures for last year are based on annual capacity of 117,547,470 tons as of Jan. 1, 1953.

Electric Output Turns Mildly Upward in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Jan. 2, 1954, was estimated at 8,200,000,000 kwh., according to the Edison Electric Institute. The foregoing is a preliminary figure and represents a mild upturn from that of the preceding week.

The current figure represents an increase of 26,255,000 kwh. above that of the preceding week, and an increase of 486,845,000 kwh., or 6.3% (preliminary), over the comparable 1952 week and 1,051,380,000 kwh. over the like week in 1951.

Car Loadings Decline 22.2% in Christmas Week

Loadings of revenue freight for the week ended Dec. 26, 1953, decreased 137,454 cars, or 22.2% below the preceding week due to the holiday, according to the Association of American Railroads.

Loadings totaled 480,978 cars, a decrease of 39,722 cars, or 7.6% below the corresponding 1952 week, and a decrease of 21,030 cars or 4.2% below the corresponding 1951 week.

U. S. Auto Output Continues to Dip in Holiday-Shortened Week

Automobile output for the latest week dropped slightly below the previous week, according to "Ward's Automotive Reports."

The industry turned out 65,315 cars last week, compared with 67,308 (revised) in the previous week. A year ago the weekly production was 79,125.

Last week, the agency reported, there were 18,903 trucks made in this country, as against 17,951 in the previous week and 21,589 in the like 1952 week.

Business Failures Carry-Over Decline to Second Holiday Week

Commercial and industrial failures dipped to 150 in the week ended Dec. 31, from 162 in the preceding week, according to Dun & Bradstreet, Inc. Despite the holiday decline, casualties were considerably heavier than in the comparable weeks of 1952 and 1951 when 89 and 126 occurred respectively. Continuing below the prewar level, failures were only one-half as numerous as in 1939.

Casualties involving liabilities of $5,000 or more dipped slightly to 130 from 139 last week, but remained higher than a year ago when 78 concerns succumbed in this size group. A dip also appeared among small failures, those involving liabilities under $5,000, which were off to 20 from 23 in the previous week yet exceeded the 11 recorded in the similar week of 1952. Ten of the failing concerns had liabilities in excess of $100,000, as against 20 in the preceding week.

Wholesale Food Price Index Rises to New 1953 High Last Week

A steady rise in the Dun & Bradstreet wholesale food price index over the past two months lifted the Dec. 29 figure to $6.81, a new high for the year and the highest point touched since Sept. 4, 1951 when it stood at $6.82. The current number represents a gain of 1.3% over last week's $6.72, and is 10.6% higher than the $6.16 of a year ago.

The index represents the sum total of the prices 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 Rises Moderately Following Pre-Holiday Dullness the Week Before

Reversing the downward trend of recent weeks, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., turned upward last week to close at 273.55 on Dec. 29. This contrasted with 271.94 a week earlier, and with 280.61 on the corresponding date last year.

Leading grain markets were generally firmer the past week, featured by a late spurt in oats prices, influenced largely by the Presidential proclamation over the week-end limiting imports of oats, other than those from Canada. Corn advanced in sympathy with oats as receipts in the cash market continued to run very light.

Strength in wheat reflected a steadily decreasing supply of free wheat as the result of impoundings under the loan.

Trading in grain and soybean futures on the Chicago Board of Trade was quite active. Daily average purchases during the holiday week totaled 47,100,000 bushels, against 50,200,000 the previous week and 36,400,000 a year ago.

Holiday dullness prevailed in the domestic flour market, with sales restricted to scattered small lots despite a steady reduction in order backlogs at the mills. Export trade in flour continued very quiet.

Cocoa prices continued upward to reach new high ground for the current movement, aided by high asking prices from producing areas as a result of the tightening world supply picture.

Warehouse stocks of cocoa were reported at 54,935 bags, up from 44,660 a week earlier, and comparing with 45,122 bags at this time a year ago.

Reflecting the higher prices prevailing on coffee for shipment from producing countries, the New York market for both Brazilian and Colombian coffees remained firm with prices touching new record high levels. The domestic raw sugar market was steady in quiet trading. The demand for the refined product in Eastern markets was sustained by the continuing threat of a dock workers' strike. Lard advanced sharply under demand stimulated by the Department of Agriculture report indicating a drop of 9% in the 1953 Fall pig crop as compared with a year ago.

Year-end dullness pervaded the spot raw cotton market in the past week although prices developed a somewhat firmer tone. Lending support to the market were reports that the Indian cotton crop had been over-estimated and a private forecast that exports of United States cotton this season might go as high as 3,700,000 bales, as against an earlier prediction of about 3,000,000 bales. Entries of the staple into the government 1953 loan stock during the week ended Dec. 18 were reported at 296,172 bales, compared with 376,400 the previous week and 403,300 two weeks ago. For the season to date total loan entries were listed at 5,159,839 bales, as compared with 802,581 bales to the same date last year.

Trade Volume Falls Sharply in Post-Christmas Week

Total retail sales dipped sharply from the preceding week as the end of the Christmas shopping season was observed. However, because of one extra day of holiday buying this year, consumer spending was moderately above a year ago in the period ended on Wednesday of the preceding week. Many stores closed for the three day weekend and on Monday the traditional post-Christmas clearances commenced. Because of the holiday-shortened week, the majority of the retailers featured night openings in the early part of the week.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 3 to 7% higher than at the same time a year ago. Regional estimates varied from the comparable 1952 level by the following percentages: New England, South and Pacific Coast +4 to +8; East and Southwest +2 to +6; Midwest +3 to +7 and Northwest +1 to +5.

Apparel sales were moderately above a year ago although they were sharply below the preceding week.

Clearance promotions were heavily advertised and the results were generally favorable.

The most substantial price reductions were to be found in women's coats and suits which had been slow all season. The call for dressy items of clothing was greater than at the same time a year ago. Casual clothes and sportswear were the best selling items among men's wear.

Trading activity among wholesalers came to a virtual standstill as a result of the holiday season in the period ended on Wednesday of the previous week. Total trading was moderately below the year-ago period. The order level was expected to increase markedly in January when the Spring apparel and furniture markets opened.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index, for the week ended Dec. 26,* 1953, increased 12% above the level of the preceding week. In the previous week, Dec. 19, 1953, a decrease of 1% was reported from that of the similar week of 1952. For the four weeks ended Dec. 26, 1953, no change was reported. For the period of Jan. 1 to Dec. 26, 1953, department store sales registered an increase of 2% above the corresponding period of 1952.

Retail trade volume in New York last week followed the customary downward trend in the post-Christmas period, but according to reports, it held close to the like 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. 26,* 1953, registered an increase of 19% from the like period of last year. In the preceding week Dec. 19, 1953, a decrease of 3% was reported from that of the similar week of 1952, while for the four weeks ended Dec. 26, 1953, no change was reported. For the period Jan. 1 to Dec. 26, 1953, a decrease of 1% was registered from that of the 1952 period.

*The large increases shown for this week reflect in part the fact that this year Christmas fell on Friday and the week therefore included four days of heavy pre-Christmas shopping as compared with three days last year when Christmas fell on Thursday.

Ute Uranium Common Stock at 1c a Share

Kamp & Co., Inc., and Fred W. Miller & Co., both of Denver, Colo., are offering "as a speculation" an issue of 22,500,000 shares of common stock of Ute Uranium, Inc. at par (one cent per share).

The net proceeds are to be used to pay for drilling, testing and other exploratory work, for acquisition of additional uranium and vanadium properties, for equipment and other general corporate purposes.

The company was incorporated in Colorado on Oct. 1, 1953, with its statutory office at 602 First National Bank Bldg., Denver 2, Colo. It was organized to engage in the business of exploring, mining and marketing uranium ores as well as any other ores and minerals.

The corporation's properties consist of three leased groups of uranium-producing ground. One of these leases is situated in the Monticello Uranium District, San Juan County, Utah; one in the Uravan Mineral Belt, South Slick Rock Uranium District, San Miguel County, Colo., and the third is astraddle the Utah-Colorado line, partly in the Monticello District, San Juan County, Utah, and partly in the North Slick Rock Uranium District, San Miguel County, Colo.

Capper & Co. Offer Diamond Bros. Stock

Capper & Co., New York, are offering an issue of 199,800 shares of Diamond Bros. Co. common stock (par 50 cents) at $1.50 per share "as a speculation."

It is contemplated that the net proceeds of this financing will be used to replenish working capital which was diminished by the purchase of the Coal City (Ill.) plant and the cost of bringing that plant into production.

Diamond Bros. Co., a New Jersey corporation organized on Jan. 2, 1947, is engaged in the manufacture of upholstered living room suites, odd chairs and sofas, divans, convertible sofas and beds. It has a plant in Trenton, N. J., and in Coal City, Ill., and also owns a 50% stock interest in Park Lane Furniture Co., which has plants located in Santa Monica and Gardena, Calif.

Newburger Installs Wire to New York

PHILADELPHIA, Pa. — Newburger & Co., 1342 Walnut Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, announces that it has established a private wire connection between its unlisted trading department and that of Burnham & Co., under the managership of John F. Reilly, and that Stanley W. Jeffries is associated with them in this connection. Mr. Jeffries was formerly with Charles A. Taggart & Co.

The facilities of this wire are available to other securities dealers in the Philadelphia area for the execution of orders in the Over-the-Counter market.

Calvin Gatch Joins G. H. Walker & Co.

(Special to THE FINANCIAL CHRONICLE)

CLAYTON, Mo.—Calvin F. Gatch has become associated with G. H. Walker & Co., 8820 Forsyth Boulevard. Mr. Gatch was formerly with Edward D. Jones & Co. and in the past was a principal of Gatch Bros., Jordan & McKinney.

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)	Jan. 10	§75.0	*75.7	86.7	§98.2
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 10	§1,788,000	*1,706,000	1,955,000	2,213,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 26	6,252,800	6,248,100	6,227,300	6,594,200
Crude runs to stills—daily average (bbls.)	Dec. 26	¶7,011,000	6,918,000	7,083,000	7,077,000
Gasoline output (bbls.)	Dec. 26	25,192,000	24,084,000	24,788,000	24,023,000
Kerosene output (bbls.)	Dec. 26	2,505,000	2,521,000	2,543,000	3,111,000
Distillate fuel oil output (bbls.)	Dec. 26	9,952,000	10,220,000	10,587,000	10,967,000
Residual fuel oil output (bbls.)	Dec. 26	8,702,000	8,281,000	8,171,000	8,653,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 26	136,030,000	133,586,000	149,842,000	134,425,000
Kerosene (bbls.) at	Dec. 26	30,251,000	32,389,000	35,901,000	28,628,000
Distillate fuel oil (bbls.) at	Dec. 26	117,231,000	123,444,000	133,222,000	102,897,000
Residual fuel oil (bbls.) at	Dec. 26	49,810,000	49,975,000	50,908,000	48,662,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 26	480,978	618,432	596,230	520,700
Revenue freight received from connections (no. of cars)	Dec. 26	518,935	586,824	595,280	587,045
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 31	$153,197,000	$226,520,000	$294,411,000	$185,038,000
Private construction	Dec. 31	52,193,000	64,191,000	176,848,000	83,083,000
Public construction	Dec. 31	101,004,000	162,329,000	117,563,000	101,955,000
State and municipal	Dec. 31	89,087,000	125,313,000	105,655,000	80,572,000
Federal	Dec. 31	11,917,000	37,016,000	11,908,000	21,383,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 26	6,515,000	*8,300,000	7,420,000	6,600,000
Pennsylvania anthracite (tons)	Dec. 26	499,000	516,000	475,000	496,000
Beehive coke (tons)	Dec. 26	48,000	*61,500	63,800	91,100
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Dec. 26	163	234	133	146
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 2	†8,200,000	*8,173,745	8,582,459	7,713,155
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 31	150	162	202	89
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 29	4.634c	4.634c	4.632c	4.376c
Pig iron (per gross ton)	Dec. 29	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	Dec. 29	$30.17	$30.00	$33.83	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 30	29.700c	29.675c	29.700c	24.200c
Export refinery at	Dec. 30	29.250c	28.975c	28.925c	35.025c
Straits tin (New York) at	Dec. 30	84.750c	84.250c	84.000c	121.500c
Lead (New York) at	Dec. 30	13.500c	13.500c	13.500c	14.750c
Lead (St. Louis) at	Dec. 30	13.300c	13.300c	13.300c	14.550c
Zinc (East St. Louis) at	Dec. 30	10.000c	10.000c	10.000c	12.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 5	96.83	96.83	95.30	96.13
Average corporate	Jan. 5	106.39	106.04	106.04	109.42
Aaa	Jan. 5	111.25	110.88	110.52	113.31
Aa	Jan. 5	108.16	108.16	107.80	112.00
A	Jan. 5	106.21	105.86	105.86	108.88
Baa	Jan. 5	100.16	100.00	100.32	103.97
Railroad Group	Jan. 5	104.14	103.80	103.80	106.74
Public Utilities Group	Jan. 5	106.74	106.56	106.21	109.42
Industrials Group	Jan. 5	107.98	107.98	108.16	112.37
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 5	2.72	2.73	2.83	2.77
Average corporate	Jan. 5	3.37	3.39	3.39	3.20
Aaa	Jan. 5	3.10	3.12	3.14	2.99
Aa	Jan. 5	3.27	3.27	3.29	3.06
A	Jan. 5	3.38	3.40	3.40	3.23
Baa	Jan. 5	3.74	3.75	3.73	3.51
Railroad Group	Jan. 5	3.50	3.52	3.52	3.35
Public Utilities Group	Jan. 5	3.35	3.36	3.38	3.20
Industrials Group	Jan. 5	3.28	3.28	3.27	3.04
MOODY'S COMMODITY INDEX	Jan. 5	412.7	413.4	406.2	409.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 26	145,118	212,033	192,667	‡342,725
Production (tons)	Dec. 26	200,597	241,648	235,824	‡299,914
Percentage of activity	Dec. 26	77	93	86	‡66
Unfilled orders (tons) at end of period	Dec. 26	313,963	371,487	374,435	‡478,354
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	Dec. 31	107.38	106.92	106.83	108.50
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Dec. 19	24,661	24,184	22,229	28,426
Number of shares	Dec. 19	750,883	720,666	656,509	840,614
Dollar value	Dec. 19	$31,713,691	$32,173,637	$28,402,039	$37,137,351
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Dec. 19	28,670	26,697	22,750	32,759
Customers' short sales	Dec. 19	139	137	200	125
Customers' other sales	Dec. 19	28,531	26,500	22,550	32,634
Number of shares—Total sales	Dec. 19	846,235	781,875	658,403	928,636
Customers' short sales	Dec. 19	4,915	4,982	7,388	4,283
Customers' other sales	Dec. 19	841,320	776,893	651,015	924,353
Dollar value	Dec. 19	$30,885,477	$30,113,115	$24,528,354	$36,512,464
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 19	304,640	268,370	234,700	359,783
Short sales	Dec. 19	------	------	------	------
Other sales	Dec. 19	304,640	268,370	234,700	359,783
Round-lot purchases by dealers—					
Number of shares	Dec. 19	216,600	223,610	226,710	266,671
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	Dec. 12	263,540	334,630	249,620	240,290
Other sales	Dec. 12	7,058,190	8,551,500	5,874,440	9,974,940
Total sales	Dec. 12	7,321,730	8,886,130	6,124,060	10,215,230
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Dec. 12	750,450	886,470	550,940	1,011,180
Short sales	Dec. 12	119,230	147,950	123,930	143,090
Other sales	Dec. 12	573,370	759,360	450,660	763,640
Total sales	Dec. 12	692,600	907,310	574,590	906,730
Other transactions initiated on the floor—					
Total purchases	Dec. 12	199,260	281,040	163,410	314,900
Short sales	Dec. 12	6,700	15,700	11,000	9,800
Other sales	Dec. 12	157,590	261,970	117,840	263,820
Total sales	Dec. 12	164,290	277,670	128,840	273,620
Other transactions initiated off the floor—					
Total purchases	Dec. 12	300,960	338,750	272,065	358,200
Short sales	Dec. 12	56,050	62,300	20,300	39,550
Other sales	Dec. 12	211,510	319,195	191,970	342,149
Total sales	Dec. 12	267,560	381,495	212,270	381,699
Total round-lot transactions for account of members—					
Total purchases	Dec. 12	1,250,670	1,516,260	986,415	1,684,280
Short sales	Dec. 12	181,980	225,950	155,230	192,440
Other sales	Dec. 12	942,470	1,340,525	760,470	1,369,609
Total sales	Dec. 12	1,124,450	1,566,475	915,700	1,562,049
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Dec. 29	110.6	110.1	110.1	109.6
Farm products	Dec. 29	97.0	95.4	95.0	101.1
Processed foods	Dec. 29	105.6	104.4	104.2	103.2
Meats	Dec. 29	91.6	87.0	86.9	94.0
All commodities other than farm and foods	Dec. 29	114.5	114.4	114.6	112.8

*Revised figure. ¶Includes 670,000 barrels of foreign crude runs. §Based on new annual capacity of 124,330,410 tons as of Jan. 1, 1954, as against the Jan. 1, 1953 basis of 117,547,470 tons. †Preliminary figure. ‡Eleven days ended Dec. 31, 1952.

	Latest Month	Previous Month	Year Ago
BANKER'S DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Nov. 30:			
Imports	$245,812,000	$226,662,000	$233,234,000
Exports	139,188,000	144,720,000	123,302,000
Domestic shipments	11,912,000	10,052,000	15,847,000
Domestic warehouse credits	47,417,000	45,477,000	46,206,000
Dollar exchange	49,032,000	55,708,000	29,243,000
Based on goods stored and shipped between foreign countries	40,739,000	34,103,000	30,631,000
Total	$534,100,000	$516,722,000	$478,463,000
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of November	7,269	8,267	6,741
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPT. OF COMMERCE — Month of November (000's omitted)	$232,000	$553,000	$253,000
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK— As of Nov. 30 (000's omitted)	$582,000	$535,000	$575,000
CONSUMER PURCHASES OF COMMODITIES—DUN & BRADSTREET, INC.— (1947-1949=100)—Month of November	131.5	*129.6	126.1
COTTON GINNING (DEPT. OF COMMERCE)— As of Dec. 13	15,150,632	------	14,045,857
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE— As of Dec. 1 (in thousands):			
Corn, all (bushels)	3,176,615	3,180,430	3,279,403
Wheat, all (bushels)	1,168,536	1,163,231	1,298,957
Winter (bushels)	877,511	878,331	1,059,558
All spring (bushels)	291,025	284,900	239,399
Durum (bushels)	12,967	13,424	22,493
Other spring (bushels)	278,058	271,476	216,906
Oats (bushels)	1,216,416	1,205,106	1,260,127
Barley (bushels)	241,015	237,476	226,014
Rye (bushels)	17,998	17,452	16,046
Buckwheat (bushels)	3,193	------	3,205
Flaxseed (bushels)	36,813	39,011	30,174
Rice (bags)	52,529	52,628	48,107
Popcorn (pounds)	308,428	------	268,134
Sorghum grain (bushels)	109,022	------	83,024
Sorghum forage (tons)	6,170	------	4,358
Sorghum silage (tons)	5,906	------	3,821
Cotton, lint (bales)	16,437	16,093	15,139
Cottonseed (tons)	6,718	------	6,190
Hay, all (tons)	105,300	105,563	104,345
Hay, wild (tons)	12,216	12,477	10,827
Alfalfa seed (pounds)	133,226	------	180,326
Red clover seed (pounds)	83,237	------	98,707
Alsike clover seed (pounds)	12,432	------	13,217
Sweetclover seed (pounds)	35,585	------	43,760
Lespedeza seed (pounds)	63,667	------	126,905
Timothy seed (pounds)	24,695	------	31,790
Beans, dry edible (bags)	18,114	17,557	16,235
Peas, dry field (bags)	3,350	3,347	2,610
Soybeans for beans (bushels)	262,341	252,276	298,052
Cowpeas for peas (bushels)	1,964	------	1,703
Peanuts picked and threshed (pounds)	1,574,250	1,427,155	1,371,600
Velvetbeans (tons)	128	------	159
Potatoes (bushels)	373,711	370,856	349,098
Sweetpotatoes (bushels)	33,974	33,464	28,532
Tobacco (pounds)	2,046,037	2,045,875	2,254,512
Sorgo sirup (gallons)	2,739	------	2,595
Sugarcane for sugar and seed (tons)	7,957	7,525	7,605
Sugarcane sirup (gallons)	5,650	------	6,005
Sugar beets (tons)	12,029	11,557	10,169
Maple sugar (pounds)	126	------	159
Maple sirup (gallons)	1,254	------	1,654
Broomcorn (tons)	30	------	31
Hops (pounds)	41,803	41,752	61,263
Apples, commercial crop (bushels)	92,584	94,064	92,489
Peaches (bushels)	64,102	63,894	62,560
Pears (bushels)	29,065	29,135	30,947
Grapes (tons)	2,641	2,749	3,164
Cherries (12 States) (tons)	225	230	218
Apricots (3 States) (tons)	240	214	177
Plums (2 States) (tons)	92	------	61
Prunes, dried (3 States) (tons)	146	------	137
Prunes, other than dried (3 States) (tons)	79	------	78
Avacados (2 States) (tons)	35	------	32
Olives (Calif.) (tons)	30	------	57
Oranges (5 States) (tons)	124,885	------	124,580
Grapefruit (4 States) (boxes)	43,160	------	38,360
Lemons (Calif.) (boxes)	13,000	------	12,590
Cranberries (5 States) (boxes)	1,230	1,209	804
Pecans (barrels)	173,065	184,962	147,946
Almonds (Calif.) (pounds)	36	------	36
Walnuts (2 States) (tons)	58	------	84
Tung nuts (5 States) (tons)	125	------	132
Commercial vegetables—			
For fresh market, 28 crops (tons)	10,098	------	9,496
For processing, 11 crops (tons)	6,545	------	6,664
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1947-1949 Average 100—Month of November:			
Sales (average monthly), unadjusted	121	116	119
Sales (average daily), unadjusted	129	110	127
Sales (average daily), seasonally adjusted	102	104	*101
Stocks, unadjusted	132	130	*131
Stocks, seasonally adjusted	115	116	*114
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of Nov. (000's omitted):			
Ordinary	$1,953,000	$1,952,000	$1,682,000
Industrial	549,000	562,000	508,000
Group	540,000	394,000	404,000
Total	$3,042,000	$2,908,000	$2,594,000
NEW YORK STOCK EXCHANGE—As of Nov. 30 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$1,653,714	*$1,640,883	$1,346,515
Credit extended to customers	31,159	*30,980	32,333
Cash on hand and in banks in U. S.	298,108	*293,403	338,754
Total of customers' free credit balances	682,244	*672,031	705,539
Market value of listed shares	117,477,562	115,428,148	117,362,782
Market value of listed bonds	96,506,418	94,571,815	100,550,940
Member borrowings on U. S. Govt. issues	156,181	*128,008	162,981
Member borrowings on other collateral	1,200,890	*1,120,963	934,315
WINTER RYE CONDITION—CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—As of Dec. 1	78%	------	67%
WINTER WHEAT PRODUCTION—CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—As of Dec. 1 (bushels)	750,140,000	------	877,511,000

Continued from page 6

How to Reverse the Recession

it is likely that no new policy measures are needed to limit the fall in this market to rather less than half of any drop in gross national product. But if the recession is either deep or prolonged, discretionary policy should be able to better this mark considerably.

By discretionary policy, we mean in this case primarily abatements in taxes—withheld income taxes, commodity taxes, perhaps Social Security contributions. If Congress can be persuaded to decide in advance what *pattern* of tax cuts to adopt in order to support consumer markets, quick decision is feasible on the depth and timing of the cut. To preserve the anti-inflationary strength of the tax system for future needs, and to preserve the healthy test of whether proposed expenditures are worth levying taxes for, I would urge that abatements in such permanently-accepted levies as the personal income tax or Social Security contributions be enacted as temporary—to revert to standard rates presently, unless there is definite reason to prolong the abatement.

There is every reason to believe that such tax cuts will be effective. Remember that the problem here is to help consumers *resist a cut* in consumption standards. Suppose a rough rule of thumb that tax cuts for this purpose should aim to hold level the flow of disposable income. Since the losses of income in a recession would probably be rather concentrated, most households — with such types of income-loss as elimination of overtime, slow collections on receivables, and the like—could and presumably would maintain spending. Among those with a net loss of disposable income, those with volatile profit incomes would probably not cut non-durable spending much unless income stayed down—particularly if government policy included an effective floor under farm income. Most of the cut in such spending would probably be among those hit by layoffs, who obviously could not be compensated by cuts in taxes on the income they did not earn.

In short, under a successful stabilization policy, the trough in disposable income and non-durable spending should be much more shallow than that in Gross National Product. As a rough gauge of success, I would suggest that the fall in consumers' non-durable spending (excise taxes, etc., subtracted out) should be less than a quarter of the fall in current-dollar Gross National Product, and in no case greater than 5% of the pre-recession spending level. If this standard could be met, there would be substantial gains in other sectors. Consumer-durable spending would gain a substantial support. Above all, *involuntary inventory accumulation* of consumer non-durables would be ruled out, turning off one of the most powerful recessive forces. A sympton of success on this side would be the appearance of negative inventory-accumulation figures early in the recession.

Postponable Expenditures

In our economy of decentralized decisions, postponable expenditures on consumer durables, producer durables and construction are harder to influence. We can define a monetary policy that avoids setting up deterrents to purchase; and item by item, we can think of ways to strengthen positive incentives. But short of handing out subsidies on purchases made within a restricted period (a procedure which would risk a complete collapse of business and political morality), we have no reliable way of making the incentives continuously adequate to yield a full-employment volume of purchases.

On the side of monetary policy, it is almost universally agreed that in a recession the authorities must avoid putting general pressure on business and consumer credit. Since existing debtors have to be kept under some pressure to fulfill individual contracts, however, some net contraction of loans may result if new borrowers do not come forward; and the authorities may not be able to turn off all pressure for liquidation. It might be a useful precaution to design arrangements for some sort of general slowdown of amortization under existing contracts (especially mortgages), for use in a recession. On the side of public debt management, some hold that in recession the Federal Reserve should aim to "saturate the economy with liquidity," and avoid any measures that reduce liquidity. For my part, I would hold that it was sound policy to take advantage of a recession to fund short-term into long-term debt. The relatively mild adverse effect on liquidity could readily be offset by keeping banks comfortably furnished with excess reserves, while reshaping the debt structure to give monetary policy more grip in future booms.

Going over to a sector-by-sector examination of ways to encourage postponable expenditures, the only sector that seems to offer no cause for worry is public utilities (that is, power and telephone; railways are another matter). Here there still seems to be a substantial postwar backlog—a lack of adequate margins for peak loads and emergencies, and perhaps a widespread postponement of building.

The housing sector I find cryptic. On general principles, it would seem likely that a building boom would put a larger share of the nation's resources into housing than would be needed in a long-term continuous prosperity. Postwar policy has been to treat housing as an emergency sector—implying the need for an eventual cutback, which might come suddenly enough to involve a serious recession. As long ago as 1950, the stock of housing units had caught up with the number of family units, and almost everybody marriageable seemed to be married. Yet, in the last three years, an almost unabated boom level of construction has not generated any noticeable number of vacancies. Remembering that we are drawing near the time when the upswing of births after the Great Depression will be reflected in a two-decade upswing in the number of young women reaching the age for marriage, and that with the growing size of family our existing housing units tend to be cramped, I am no longer so sure that a downward adjustment of the scale of house construction will be called for.

Even with more long-run optimism on housing, however, there is room for a serious compounding of any recession. Any serious growth of unemployment, with the corresponding slowdown of promotions in business, might sharply reduce the proportion of young couples in a financial condition to set up housekeeping at once. The market for houseroom seems to have little price-elasticity, but considerable income-elasticity. If unemployment rose to five or six million, say, and held there for a year, even a reduced level of construction could generate the crucial 3% to 5% of vacancies fairly rapidly. How much this market would respond to stimulation (after the vigorous pumping carried on ever since the war) seems uncertain. Particularly if a decline of demand carried values of existing houses down while leaving building costs high and dry, a recession originating in housing or elsewhere might produce quite a refractory depression in building.

In automobiles and appliances, we seem quite definitely to have worked through the postwar backlog of demand, and lower sales seem to be forecast by industry. (The sagging of demand for autos might be eased, however, if we could put more resources into roads and parking facilities.) If production of these items is to be more highly seasonal, as seems likely, we will have to enlarge our standard for the average level of unemployment in peak years. Besides, if we have a wider "seasonal business cycle," an unlucky combination of the seasonal downturn in durables with other recessive factors may make our general business situation more vulnerable in the autumn. If the drive for an annual wage expresses forces that work to prevent the restoration of sharp seasonal fluctuations in this sector, economists interested in economic stabilization must feel a good deal of sympathy. The implication, however, is a more rapid absorption of new workers into other industries.

The demand for industrial and railway plant and equipment is a very doubtful sector. There seem to be indications that more and more of the defense facilities set up since 1950 are being transferred to general business purposes, and that the defense boom of 1950-1953 may have anticipated many later investment needs. Some of the intentions data now available suggest a noticeable slackening of business investment in the second half of 1954. On the other hand, I gather that comparable data a year ago gave the same suggestion for 1953. We may be observing in these intentions data only a tendency to fill in the detail of investment plans less completely beyond the nearest six months, in view of shortened delivery dates for equipment.

The main remedies that catch interest here are tax gadgets. It could be that the termination of excess profits taxation has sustained activity in late 1953, by giving an incentive to pull forward outlays in that ill-defined but important category—"capital outlays charged to current expense." Accelerated depreciation is often recommended as a stimulus. But there is danger that the timing of the results may be perverse. In a period when future profits seem secure (and when a stimulus is consequently not much needed), this incentive may be strong, as in 1951-1952. But accelerated depreciation could prove a trap if after the investment was made the company lacked profits to charge the investment against. In a period of doubtful profit prospects, the attempt to accelerate investment by accelerating depreciation might misfire, and create an incentive to *postpone* investment till future profit was more secure. Here a combination of tax gadgets might be more effective.[2] If we increased the period of loss-carryback under the corporate income tax, many a company could be sure of availability of *past profits* to absorb accelerated depreciation. With a more substantial carryback (say three years), announcement of accelerated depreciation on investments in the current year could create a powerful incentive to invest now and finance partly out of tax refunds if current profits were weak. Such a combination, incidentally, would give a firm basis for bank credit.

2 This suggestion arises from a paper by Richard Goode and discussion by Richard Musgrave, at a recent professional gathering; though I am not sure either of them would take responsibility for the consequences I draw.

The problem of local public works is also one of decentralized decisions about postponable outlays. Left to themselves, local authorities are apt to follow a cycle-reinforcing pattern. In view of the visible backlog of needs for schools, highways and parking facilities, the idea of a "shelf of public works" has unusually strong appeal at present. But the necessary linkage between local needs and plans and national timing and financing has yet to be forged.

Over all this area, the problem is much illumined by the availability of intentions data. The yearly and quarterly SEC-Commerce series on business investment and the yearly Federal Reserve-Michigan series on consumer durables and housing — though not yet fully tested—are already of proven usefulness. If as rumored the Federal Reserve-Michigan studies can be put on a quarterly basis in 1954, we will score a further gain in our ability to size up the coming year. And I take it we can hope that current studies at the Council of Economic Advisers will at least put us in the way to having a comparable intentions series on public works.

International Problems

The most ominous side of the American business prospect is the danger of international disruption from an American slump. Our imports are cycle-sensitive. This implies also that a slump will tend to hit our exporters, since our trading partners have a rather prompt adjustment of purchases to sales. More important, the outside world may find intolerably intense the backlash of what we feel as a rather mild domestic fluctuation. The experience of 1948-1949 is particularly disconcerting when we remember that it came during the expansion of an American aid program that took special account of balance-of-payments difficulties. The political consequences of unconcern on our part could be devastating.

The most successful domestic stabilization program I can visualize still leaves room for fluctuations sharper than that of 1948-1950. While foreign monetary reserves have been strengthened since then, it is doubtful that the outside world could simply ride out an American recession. The least that should be asked is security against American responses to recession that would accentuate foreign effects.[3] We owe it to our trading partners to give serious consideration to the proposals brought forth by the successive Committees of Experts at the United Nations.[4] Some combination of the suggested measures to provide special dollar funds in a recession, strengthen dollar earning power, make the International Monetary Fund stronger and more flexible, and provide dollar financing for buffer stocks seems urgent.

General Stabilization Strategy

The mere fact that we are in a state of shaky prosperity should not worry us too much. Admitting that we have got where we are more by accident than by design, we are very much where a successful stabilization policy should put us. Unless we can learn to keep our psychological balance in face of uncertainty, we are not adapted to life in the present century.

What should worry us is that at this late date we face the prospect of a recession without well-developed plans for meeting one. In fact, if we took at face value the declarations in many quarters about the sacredness of a nearly-balanced budget, we would have to say that we planned to deprive ourselves of the benefit of the automatic stabilizers in the Federal budget, by making drastic outlay-cuts and tax-increases in case of a slump. It is hard to believe, though, that these measures would have many supporters when the pinch came.

Three types of preparations for a possible slump need to be pushed. (1) There is at least some room for forestalling measures. Experience since the war goes some way to bear out Professor Hansen's contention that the American economy is inflation-proof in the absence of a war or war scare, and his inference that policy can afford to err on the inflationary side. If (for example) a moderate expansion of highway and school construction in 1954 proves unnecessary as a support for business, it can probably do little economic damage. (2) There is still some room for improving out automatic stabilizers — especially on the international side, I suspect. (3) Above all, it is urgent to make at least a good start on setting up standby measures. After a generation of talk, a practical start on the public-works-shelf idea would scarcely be premature. Planning of effective market-supporting tax cuts, loss carry-backs, temporary acceleration of depreciation, etc., is in order. The whole international side of the stabilization problem needs careful reconsideration in this country.

So long as these urgent jobs remain, economists cannot yield to the suggestion that we avoid talk of a possible recession for fear of damaging "confidence." To sustain confidence by assurances that there is no danger, as we should have learned in 1930-1931, is to risk disaster. The way to mobilize the powerful forces of confidence to help limit and reverse a recession is to *earn* confidence by having an adequate substantive policy for dealing with recessions.

3 This is far from automatic. Farm policy implies that a recession would lead to dumping of some American products and to intensified import restrictions on products competing with those under price supports. I recently heard an internationally-minded American businessman propose seriously that our future trade agreements should all provide for intensification of our protective arrangements any time our GNP sagged by as much as 5%!

4 See:

J. M. Clark, Nicholas Kaldor, Arthur Smithies, Pierre Uri and E. R. Walker, *National and International Measures for Full Employment* (U. N. sales no. 1949, II. A. 3), pp. 94-99;

J. W. Angell, G. D. A. MacDougall, Javier Marquez, Hla Myint and T. W. Swan, *Measures for International Economic Stability* (U. N. sales no. 1951, II. A. 2), pp. 17-26;

And the December 1953 reporter—reference to be supplied.

Joseph Fee Joins Dodger & Cox

SAN FRANCISCO, Calif.— Joseph M. Fee has become associated as a Security Analyst with the investment management firm of Dodge & Cox, Mills Tower. Mr. Fee has been a Security Analyst with Dean Witter & Co. for the past three years and served in the Pacific with the Navy during the war. He is a graduate of Yale University and the Harvard Graduate School of Business Administration.

Ralph Sommers Opens

(Special to THE FINANCIAL CHRONICLE)

LA GRANGE, Ill. — Ralph M. Sommers is engaging in a securities business from offices at 132 South Park Road. He was previously with H. M. Byllesby and Company, Incorporated.

Walter Greer Benton

Walter Greer Benton passed away Jan. 2 following a heart attack. Until his retirement in December he had been Manager of the railroad bond trading department of Wood, Struthers & Co.

Continued from page 16

News About Banks and Bankers

GUARANTY TRUST CO. OF NEW YORK

	Dec. 31, '53	Sept. 30, '53
	$	$
Total resources	2,972,598,720	3,112,349,233
Deposits	2,520,952,092	2,667,722,896
Cash and due from banks	678,498,138	753,481,245
U. S. Govt. security holdgs.	742,993,429	709,113,931
Loans & discts.	1,405,297,410	1,426,501,500
Undivid. profits	90,884,015	90,648,418

* * *

BANKERS TRUST CO., NEW YORK

	Dec. 31, '53	Sept. 30, '53
	$	$
Total resources	2,133,918,389	2,099,821,579
Deposits	1,907,575,991	1,875,502,811
Cash and due from banks	532,301,787	667,871,138
U. S. Govt. security holdgs.	505,189,925	343,555,517
Loans & discts.	987,808,043	977,003,580
Undivid. profits	44,253,261	42,115,077

* * *

J. P. MORGAN & CO. INCORPORATED, NEW YORK

	Dec. 31,'53	Sept. 30,'53
	$	$
Total resources	797,390,192	776,442,037
Deposits	687,570,699	691,102,760
Cash and due from banks	197,683,851	208,797,035
U. S. Govt. security holdings	238,456,673	187,945,497
Loans & discounts	285,688,826	307,391,829
Undivided profits	13,633,263	12,826,033

* * *

BROWN BROTHERS HARRIMAN & CO., NEW YORK

	Dec. 31,'53	Sept. 30,'53
	$	$
Total resources	234,811,308	217,943,959
Deposits	203,026,084	184,459,950
Cash and due from banks	59,440,816	47,935,556
U. S. Govt. security holdings	58,455,044	52,432,408
Loans & discounts	45,879,229	49,596,774
Capital and surplus	14,325,284	14,305,284

* * *

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

	Dec. 31, '53	Sept. 30, '53
	$	$
Total resources	5,562,461,665	5,553,147,257
Deposits	5,062,087,048	5,046,752,211
Cash and due from banks	1,478,274,159	1,386,732,289
U. S. Govt. security holdgs.	926,919,119	1,110,553,447
Loans & discts.	2,393,667,410	2,378,254,477
Undivid. profits	52,321,381	53,374,599

* * *

KINGS COUNTY TRUST COMPANY, BROOKLYN, N. Y.

	Dec. 31,'53	June 30,'53
Total resources	$54,594,828	$53,343,733
Deposits	45,006,401	43,809,591
Cash and due from banks	7,780,108	8,471,087
U. S. Govt. security holdings	14,252,716	13,647,206
Loans & discounts	10,863,938	11,169,585
Undivided profits	967,024	885,714

* * *

The Banking Department of the State of New York gave approval on Dec. 29 to the **Hempstead Bank Hempstead, N. Y. to increase** its capital stock from **$600,000**, consisting of 60,000 shares of the par value of $10 per share to $720,000, consisting of 72,000 shares of the same par value.

On Dec. 31 the Department also approved the Plan of Merger providing for the merger of **Bank of Syosset, New York** into the Hempstead Bank.

Stockholders of the Hempstead Bank received eight shares for each share of Bank of Syosset.

The Syosset office will be operated as a branch of the Hempstead Bank. Leslie E. Baylis, President of the Syosset institution, will remain as a Vice-President and other officers and employees of the bank will continue with the Hempstead Bank.

Walter G. Barker, President of the Hempstead Bank, announced that as a result of the merger the resources of the bank would exceed $30,000,000, making it the largest state bank outside New York City. Organized in 1887, it is the oldest commercial bank in Nassau County, he said.

* * *

A Plan of Merger of **The Peoples National Bank of Greenport, New York** into the **North Fork Bank and Trust Company, Mattituck, New York** under the title of the latter bank was approved on Dec. 31, by the Banking Department of the State of New York.

* * *

FIRST NATIONAL BANK AND TRUST COMPANY, PATERSON, N. J.

	Dec. 31,'53	Jan. 5,'53
	$	$
Total resources	210,034,962	210,859,431
Deposits	193,872,296	195,387,389
Cash and due from banks	33,467,736	36,358,339
U. S. Govt. security holdings	54,131,501	55,546,082
Loans & discounts	34,821,864	30,019,545
Undivided profits	4,349,044	3,917,277

* * *

The **Beaver Trust Company, Beaver, Pa.**, and **The First National Bank of Rochester, Rochester, Pa.**, merged under the charter and title of Beaver Trust Company as of Dec. 21.

* * *

Two executives of **Harris Trust and Savings Bank, Chicago, Ill.**, Vice-Presidents Lynn Lloyd and Richard E. Pritchard, retired on Dec. 31 in accordance with the provisions of the bank's pension program.

Mr. Pritchard will relinquish his duties as the senior officer in the banking department. A native of Chicago, he joined Harris Trust in 1920 and was named Vice-President in 1939. He has served as a member of the bank's board of directors since 1949, and it is anticipated that he will be re-elected to this position at the annual meeting of the bank s stockholders next month.

Mr. Lloyd, Vice-President in charge of the bank's trust department, joined the Harris Trust as a Trust Officer in 1929.

Mark A. Brown, Harris Trust President, has announced that William O. Heath, Vice-President, has been named to succeed Lynn Lloyd as head of the Trust Department. Mr. Heath, has been associated with Harris Trust since 1929 as an officer in the Trust Department.

Lambert W. Bredehoft, Wendell C. Griffith, and William C. Norby were appointed Vice-Presidents of Harris Trust and Savings Bank, Chicago, by the bank's board of directors at its December meeting. All were formerly Assistant Vice-Presidents.

Mr. Bredehoft has been with the bank since 1934. He was first made an officer of the bank in 1947 and is serving in a commercial loan division.

Mr. Griffith has been with Harris Trust since 1922, and as Vice-President will continue to serve in the trustee division of the Trust Department.

Mr. Norby has spent his entire business career with Harris Trust. He became head of the bank's securities analysis division in 1948 and will continue in that position.

Promotions to the office of Assistant Vice-President were given by the board to Norville A. AuBuchon, Marvin D. McMillan, J. Brooks Corwine, C. J. Hambleton, Jr., Hiram F. Bright; also William J. Dumper and Paul W. Wolf, New York representatives of the bank's Investment Department.

President Mark A. Brown also announced the appointment to official positions of the following men, all of whom have been in the bank's employee for a number of years: as Assistant Cashier, Norman Barker, Jr., Arthur L. Dilling, Floyd D. Elwood, Gregg A. Hunter, C. Bayard Sheldon, F. Bradley Thomas, Jr.; as Assistant Secretary, John S. Dunhill, Martin J. Morrison, Fred Wangelin, Arthur T. Wellman; as Assistant Trust Counsel, John R. Golden.

THE PHILADELPHIA NATIONAL BANK, PHILADELPHIA, PA.

	Dec. 31,'53	Sept. 30,'53
	$	$
Total resources	886,249,009	853,643,119
Deposits	803,515,380	760,254,894
Cash and due from banks	289,440,691	252,185,051
U. S. Govt. security holdings	181,554,523	177,593,327
Loans & discounts	315,437,456	321,260,683
Undivided profits	16,546,815	15,992,308

* * *

The common capital stock of the **Iowa-Des Moines National Bank, Des Moines, Iowa** was increased from $2,500,000 to $3,000,000 by sale of new stock effective Dec. 24.

* * *

Three veteran members of the auditing department of **First National Bank in St. Louis** retired under the bank's pension plan on Dec. 31, 1953, according to William A. McDonnell, the bank's President.

The three are Fielden J. Hollocher, Assistant Auditor, who joined the First National staff in 1903; Earle B. Barnard, Assistant Auditor, who has been with the bank since 1910, and Basil Atkisson, whose service record began in 1920.

Mr. Hollocher has been an officer of First National Bank since 1918. In April, at the bank's annual 25-year dinner, he was awarded a gold watch honoring his 50th service anniversary.

Mr. Atkisson, who is a notary public and tax authority, has been in the bank's auditing department since 1924.

* * *

The **First National Bank, La Center, Ky.**, opened for business Jan. 2. The officers of the new bank are: J. N. Holland, President; Andrew Whipple, Vice-President; J. T. Theobald, Cashier.

* * *

The American National Bank & Trust Company of Mobile, Ala. increased its common capital stock effective Dec. 28 from $500,000 to $600,000 by a stock dividend and further increased it to $700,000 by the sale of new stock.

* * *

By a stock dividend **The Delta National Bank of Yazoo City, Miss.** increased its common capital stock from $150,000 to $300,000 effective Dec. 22.

* * *

Plans for a modern one-story building at the northwest corner of Wilshire Boulevard and Detroit Street as new quarters for California Bank's La Brea-Wilshire Office were announced recently by Frank L. King, President of **California Bank, Los Angeles, Calif.**

Work is expected to start in January with completion slated for sometime in July.

Farr & Co. Admits Buys as Partner

John C. Buys has been admitted to general partnership in Farr & Co., 120 Wall Street, New York City, sugar brokers and investment securities dealers. Mr. Buys has been with the firm for many years as Cashier.

With Fusz-Schmelzle

(Special to THE FINANCIAL CHRONICLE)

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

With Thomas Darst Co.

(Special to THE FINANCIAL CHRONICLE)

WILMINGTON, N. C.—H. Maurice Moore is associated with Thomas Darst & Company, 103 South Fifth Street.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

The officers and members of council of National Security Traders Association, Inc., will convene at the Hotel Sherman in Chicago on Saturday, Jan. 23, 1954 and join in executive sessions on Sunday, Jan 24. A National Committee Meeting of NSTA will be held at the Sherman at 10:30 a.m. Monday, Jan. 25; to which any association member will be welcome. The group will attend the Bond Traders Club of Chicago mid-Winter meeting at the Furniture Club in the evening.

BOND TRADERS CLUB OF CHICAGO

The Bond Traders Club of Chicago will hold its annual mid-Winter meeting on Jan. 25, at the Furniture Club.

Our Reporter's Report

Reinvestment demand current at this season of the year, and in perhaps slightly smaller volume at mid-year, is undoubtedly a weighty factor in influencing the trend of investment markets.

But it seems safe to assume that the pressure of such demand is not what it was a decade or two back what with current high tax levels and the double tax on dividends. Moreover, in the meantime the investor has become decidedly more familiar with the operations of the market and is now disposed to "spread out" buying to cover his needs.

Years ago such buying made itself felt strongly in the first two weeks of the new year. But with the change in the complexion of the basic investor—institutions of one sort or another rather than individuals now do the bulk of the buying—the erstwhile rush to acquire securities has been slowed pretty much to a walk.

Large organized investing groups are not given to bidding prices up against each other. Rather the tendency is to spread such orders over a longer period, and as a matter of fact, such groups are usually in position to anticipate their needs by making purchases in advance of the end of the year.

So that today this so-called reinvestment demand is pretty much leveled out with the vanguard of such buyers making their influence felt marketwise as early as November and the late comers doing their buying through January and well into February depending on the behavior of prices.

Off To Good Start

Reports of substantial amounts of money seeking investment needed no further confirmation than the brisk reception which greeted yesterday's offering of $55,000,000 of Atlantic Refining Co. debentures.

Carrying a 3¼% interest rate and scheduled to mature in 25 years, this issue, rated triple A, was priced at 101 for an indicated yield of 3.19% to maturity.

The offering attracted widespread interest and was reported to have been completely sold out within a brief time after the opening of the books.

World Bank Bonds

Another big issue, outside the corporate field, which is reported building up a heavy volume of inquiry, is the impending offering projected by the International Bank for Reconstruction and Development (World Bank).

This institution is slated to market on Tuesday of next week $100,000,000 of new U. S. dollar securities. The advance build-up is attaining proportions which dealers say surprises even them. Current reports indicate an offering basis to give a yield of 3.45% or 3.50%.

Current inquiry, according to those in a position to note it, is developing from institutions widely scattered around the country indicating wide distribution when the issue comes out.

Busy Week Ahead

Next week promises sufficient in the way of new business to keep underwriters and their distributing dealers comfortably busy.

On Monday banking groups will be competing for $20,000,000 of new first mortgage bonds of the Appalachian Electric Power Co.

The following day Public Service Co. of Indiana will open bids for its offering of $25,000,000 of first mortgage, 30-year bonds which will provide funds for payment of bank loans and for new construction.

On Wednesday, Ohio Edison Co. will consider tenders for a "stand-by" underwriting on its projected offering of 527,830 shares of additional common stock which will go first to stockholders on "rights."

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. 22, 1954 (Philadelphia, Pa.)
Annual meeting and election of Philadelphia Securities Association.

Jan. 23-25, 1954 (Chicago, Ill.)
National Security Traders Association meeting of officers and members of council at the Hotel Sherman.

Jan. 25, 1954 (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.

Feb. 26, 1954 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual midwinter dinner at the Ben Franklin Hotel.

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

Mutual Funds

By ROBERT R. RICH

NET ASSETS of Diversified Growth Stock Fund, sponsored by Hugh W. Long and Company, Inc., totaled $8,811,514 on Nov. 30 last, the end of the company's first year of operation. Net assets value per share was $7.23, compared with $7.18 six months earlier.

The four initial quarterly dividends totaled 18 cents a share. The Fund at the fiscal year-end had 7,050 shareholders.

Investments are in securities of companies where scientific research, technological developments or other special factors give promise of better than average growth over a period of time.

Chemical and drug stocks represented 23% of net assets on Nov. 30 last, oil and gas 21%, electronics and instrumentation 20% and Canadian securities 6%.

Management places no emphasis on current income in selecting investments. The companies whose shares are held in Diversified Growth Stock Fund retained on the average 67 cents out of each dollar of 1953 earnings on their common stocks for financing expansion of their facilities or services.

TOTAL NET assets of Canadian Fund, managed by Calvin Bullock, totaled $24,013,592 on Nov. 30, 1953, its fiscal year-end, compared with $22,368,551 12 months earlier. Net assets per share amounted to $11.12, compared with $11.64 a year earlier.

As evidence that the Canadian economy has continued its rapid development, the report estimates a gross national product of $24 billion for 1953, a gain of $1 billion over 1952. Other leading gains quoted include 34% in passenger car production, 31% in petroleum production, 27% in residential housing starts and 13% in steel ingot production.

"Over the past two years," the report states, "the American and Canadian stock markets have moved in divergent trends. Despite the more rapid growth of the Canadian economy, the Montreal Stock Exchange Industrial Index has declined 17.5%, while the Dow-Jones Industrial Index has advanced 8%. In the opinion of management, this justifies greater emphasis on Canadian common stock investment at this time."

In the second half of the Fund's fiscal year, the proportion of assets in Canadian equities was increased and holdings of U. S. common stocks reduced.

LOOMIS, SAYLES & Co., Inc., Managers of Loomis-Sayles Mutual Fund, Inc., report that as of Dec. 30, 1953, the Fund's assets were $32,448,824 as compared with assets of $29,678,227 on the same date a year ago.

Shares of Loomis-Sayles Mutual Fund outstanding on Dec. 30, 1953, were 882,235 against 775,448 on Dec. 30, 1952, an increase of about 14%.

GROUP SECURITIES, Inc., which embraces five general mutual funds and 17 single industry classes, reports net assets of $54,-387,746 on Nov. 30, 1953, the company's fiscal year end. This compares with $58,544,045 12 months earlier.

The Common Stock Fund reports net assets of $7,094,781, compared with $5,023,730. Among industry classes, Electronics and Electrical Equipment, Food, Tobacco and Utility Shares reported net asset gains for the year.

Among the classes reporting an asset decline was Steel Shares, with net assets of $11,315,887,

PERSONAL PROGRESS

Massachusetts Investors Trust announces the appointment of John L. Cooper as a trustee to fill the vacancy caused by the retirement of Merrill Griswold. Mr. Griswold is maintaining his association with the Trust as Chairman of its Advisory Board. The trustees are the operating managers of the company.

Mr. Cooper joined Massachusetts Investors Trust in 1947 as a member of its research staff after previous experience in investment research work with the Bankers Trust Company in New York City. A native of Pittsburgh, Pa., he graduated from Yale University in 1935 and recently was a member of the Advanced Management Program at the Harvard Graduate School of Business Administration.

The Orders-Inventories Ratio As Used For Market Forecasting

The Research Department of E. W. Axe & Company, in the following study, analyzes several aspects of the orders-inventories ratio as a useful device for stock market forecasting:

A correspondent inquires whether we have ever noticed a correlation between exceptionally low points in the ratio of new orders to inventories and the culmination of a decline in security prices. There is, of course, a well-defined correlation, the tendency having been, since 1929, for the low points in the orders-inventory ratio to precede low points in industrial stock prices by one to three months, as shown by the following table:

CYCLICAL LOW POINTS SINCE 1929

Ratio of Orders To Inventories	Industrial Stock Prices
May 1932	June 1932
January 1938	Mar. 1938
Jan.-Feb.-Mar. 1940	June 1940*
April-May 1949	June 1949

*The significance of the timing of this low point does not appear to be destroyed by the fact that after a brief recovery the industrial averages reached a considerably lower level in April, 1942, when there was widespread fear of a German victory.

Our correspondent goes on to say: "On the surface, of course, it would appear that the low points reached by this ratio would be the harbinger of a lower level of business on the part of manufacturers, while distributors and retailers work off excessive inventories. If, however, stock prices are still capable of playing their role of a barometer of business conditions, I wondered if it was possible that they might have declined in anticipation of this low level in your new orders-inventories index; and that when that index had reached an unusually low point, such as 1938 and 1949, it might be indicating a relationship which would be obvious to distributors and retailers and which would stimulate unusual sales efforts and price cutting on their part to restore a more favorable inventory level, which would in turn be the forerunner of a higher level of orders that would be received by manufacturers."

We see nothing wrong with this analysis and its conclusion on general principles and we are not prepared to argue against it. We believe it is worth pointing out, however, that the present decline in the ratio, although it has carried the ratio down to the 1949 and 1940 level, is not necessarily the bottom, since the 1938 and 1932 bottoms were considerably lower. There is no basis for believing that a low point has been reached until there is an upturn, and thus far there has been no upturn except for an infinitesimal rise in October.

Most of the previous cyclical declines in the orders-inventory ratio, moreover, were accompanied by sharper declines in the industrial stock price averages and in general business activity than the present decline. The general levels of industrial stock prices, business activity, and indeed inventories themselves are much higher today than they were at important cyclical low points in the orders-inventory ratio in the past.

Whether this is favorable or unfavorable is an interesting question. It may be favorable if it means merely that business activity has achieved such momentum (especially with some types of defense business likely to continue at a high level) that only a minor inventory adjustment will be required. Or it may be unfavorable if it means that producers have overestimated demand and must now, or sooner or later, make really substantial readjustments.

We are inclined to believe that some kind of inventory readjustment (more substantial than anything that has occurred thus far) will be necessary before we can be sure that the low point in the orders-inventory ratio has actually been reached, although the main object of our discussion of this interesting question is to point out that there are actually some rather marked differences between the general economic situation today and those that have prevailed at the cyclical low points of 1932, 1938, 1940, and 1949.

Manufacturers themselves appear to be of two minds on this basic problem. Westinghouse Electric Corporation, for example, says that it has achieved a sharp increase in sales of television sets by reducing prices. Several other manufacturers, on the other hand, have announced that they are curtailing production and laying off employees.

One difficulty in interpreting the orders-inventory figures is the lag between the figures and the time when they are available. The latest Department of Commerce all-inclusive figure on retail inventories in the automotive group, for example, showed that on Oct. 31 the total was slightly more than $4 billion, up almost a billion dollars in the course of a year.

Since then, however, "Automotive News" has reported a rather sharp reduction in dealers' stocks of passenger cars owing to factory curtailment and to a rather satisfactory level of new car sales which, in October (latest available), were exceeded only a few times in the past, allowing for seasonal variation.

compared with $13,585,588 a year ago.

The report, which marks the completion of the company's twentieth year, comments that this type of company had been known in America for but seven years at the time the company was formed. The substantial growth in assets over the period is noted, with respect both to the company and the industry of which it is one of the older units.

Commenting on the outlook, the report states, "In retrospect the years 1953 and 1954 will be remembered, we believe, as the period in which most of the transition from a characteristically wartime economy to one of relative peace was successfully and smoothly accomplished. Thus while some further business adjustments appear probable, we look forward to 1954 as a year of good business with an increasingly firm foundation."

THE GEORGE Putman Fund of Boston reports record sales of $12,000,000 during 1953 compared with $9,900,000 in 1952, a 21% increase.

Repurchases of shares were slightly lower in relation to sales than in 1952. Net new money invested in the fund during 1953 amounted to $9,300,000, compared with $7,700,000 in 1952 for a 22% gain.

The number of Putman Fund shareholders increased to a record high of 25,300 from 21,500 and total net assets at market exceeded $66,000,00 on Dec. 31, 1953 compared with $61,500,000 a year ago.

TOTAL NET assets of Investors Selective Fund, Inc., mutual fund sponsored and managed by Investors Diversified Services, Inc., were $13,092,610 at the close of the fund's fiscal year ended Nov. 30, an increase of $1,353,114 for the 12 months, according to the annual report.

Total number of shareholders in the fund increased from 4,500 to 5,400 during fiscal '53.

Fluctuations in the net asset value of the fund's shares during fiscal '53 were relatively minor because of portfolio changes made to adjust and strengthen the portfolio of bonds and preferred stocks in the face of considerable fluctuation in money rates in the 12-month period. Dividends from investment income were $.42 per share compared with $.415 per share in the previous year.

The fund in fiscal '53 purchased some privately offered issues at favorable market levels, which will also tend to improve income over a period of time with no sacrifice in quality, and continued to add to its holding of convertible securities without increasing their proportion to the total fund.

CHANGES in holdings of Nation-Wide Securities Company, Inc., a balanced fund managed by Calvin Bullock, in the quarter ended Nov. 30 last, included purchases of 2,000 shares of Boeing Airplane Company, 1,200 El Paso Natural Gas, 1,000 National Fuel Gas and 1,500 Ohio Edison. Additions to previous holdings included 2,000 American Cyanamid, 2,100 Lone Star Gas and 4,000 Reynolds Tobacco. 1,500 shares of Chrysler, 2,700 Interlake Iron and 2,000 West Penn Electric were sold. Companies eliminated included Duquesne Light, Goodrich and Pacific Lighting Corporation.

CLOSED-END NEWS

The Adams Express Company announced today that the net asset value of its common stock at Dec. 31, 1953 is estimated at $37.08 per share on 1,321,980 shares outstanding compared with $41.07 at Dec. 31, 1952 on 1,329,880 shares then outstanding. Its holding of American International Corporation, a majority-owned subsidiary, is included at net asset value at both dates.

American International Corporation announced today that the net asset value of its common stock at Dec. 31, 1953 is estimated at $23.39 per share on 938,000 shares outstanding compared with $26.49 at Dec. 31, 1952 on the 939,000 shares then outstanding.

Petroleum Corporation of America announced today that the net asset value of its common stock at Dec. 31, 1953 is estimated at $22.51 per share compared with $25.38 at Dec. 31, 1952.

New York State Housing Bonds Marketed

Chase National Bank syndicate reoffers part of $61,005,000 issue from 1.10% to 2.65% yield basis.

An account headed by The Chase National Bank was awarded on Jan. 6 an issue of $61,005,000 State of New York 4%, 2½%, 2.60% and 1% Housing (Serial) Bonds, due Jan. 15, 1956 to 2004, inclusive. The group named a net interest cost of 2.3659%.

Bonds maturing from 1956 through 1998 are reoffered at prices scaled to yield from 1.10% to 2.65%, according to maturity. The 1% bonds due 1999 through 2004 are not being reoffered.

The bonds are redeemable, at option of the State, at par and accrued interest, on Jan. 15, 1994, or on any interest payment date thereafter. The bonds have been ruled legal investments for savings banks and trust funds in New York and certain other states and for savings banks in Connecticut and Massachusetts.

Other principal underwriters include: Bank of the Manhattan Company; Kuhn, Loeb & Co.; Hallgarten & Co.; C. J. Devine & Co.; Blyth & Co., Inc.; Barr Brothers & Co.; R. W. Pressprich & Co.; Salomon Bros. & Hutzler; Ladenburg, Thalmann & Co.; Chemical Bank & Trust Company; Blair, Rollins & Co., Incorporated; Kidder, Peabody & Co.; The Marine Trust Company of Western New York; Manufacturers Trust Company.

The Northern Trust Company; Harris Trust & Savings Bank; Bear, Stearns & Co.; Equitable Securities Corporation; Estabrook & Co.; Hemphill, Noyes & Co.; Hornblower & Weeks; Kean, Taylor & Co.; Manufacturers & Traders Trust Company, Buffalo; Mercantile Trust Company, St. Louis; F. S. Moseley & Co.; The Philadelphia National Bank; Shields & Company; Stone & Webster Securities Corporation; White, Weld & Co.; A. C. Allyn and Company Incorporated; B. J. Van Ingen & Co., Inc.; Geo. B. Gibbons & Company, Incorporated; Reynolds & Co.; L. F. Rothschild & Co.; Schoellkopf, Hutton & Pomeroy, Inc.; Adams, McEntee & Co., Inc.; Bache & Co.

Continued from page 5

Observations . . .

realize that he is a part-owner in a property, similar to the owner of income-producing real estate or corner grocery store. Such nature of property-ownership is not altered by the fact of exchange-listing of the instrument (shares) representing the ownership.

Value-determination depends on a variety of factors, to some extent correlated with the respective company considered; but always primarily based on giving practical, realistic and definable meaning to *yield;*—in lieu of determining it, via the multiplier, by tradition, comparative demonstrations, or other extraneous standards.

The true investor should act under the basic assumption that money-use and the risk elements of capital investment are to be compensated for in his buying price; that the price permits reasonable expectation of recouping his principal-with-interest-plus-a-profit increment, within an estimated long-term interval.

Specifically, in the case of cyclical and other non-growth companies: capitalize the expected long-term receipts to be recouped via dividend payments, plus an amount of annual reserve sufficient to amortize over the interval your capital invested, adjusted to the estimated degree of risk. As an alternative method:—capitalizing a 7¼% yield now, you can conclude that you get a fair rental value for your money (3¼%), plus an indeterminable increment ranging around the remaining 4% annually—perhaps less, perhaps more, depending on the assets, earning power, and market price existing at the termination of the long-term amortization period.

In the case of *growth* companies (making certain that the situation's growth is not behind rather than ahead), the money-back amortization provision can be reduced, and in some cases even eliminated, relying on capitalizing the current dividend at its money-rental value.

It is fully realized that such value approach also involves some elements of uncertain forecasting (as to future earning-power, etc.); but my strong considered conviction is that this category of prediction involves uncertainties that are far less dangerous, as to both kind and degree, than are inescapable in the attempt to gauge the timing of market movements.

I am also convinced that it is impracticable to "settle" for the easy compromise of studying *both* "income" and "market conditions," as being crucially confusing, and causing you to fall between two stools.

CORTESE—Your concept of investment for income is more suitable for bonds than it is for common stocks. Presumably, you turn to the latter for the greater income. In doing so, you are, in addition to becoming involved in theoretical, mathematical computations of value, exposing yourself to a host of conditions which affect stock prices in general and the price of your own stock in particular. These conditions have to do with general economics, monetary conditions, domestic and international political conditions, investor and speculator psychology, etc., etc. These "market" conditions cannot be calculated or appraised with accuracy, but to ignore them is to deprive yourself unnecessarily of relevant data bearing on the present and future prices of your stock. I repeat that there is a wealth of material for study in general market conditions, comparable to and exceeding that pertaining to the value of a single stock and that the material is just as susceptible to appraisal as are balance sheets and earnings statements. If you choose to ignore it, I can only say that this is a personal preference. Those of us who do study such material find it useful and profitable in making purchases and sales.

* * * * *

(3) Should the investor for income hold a security for a long time, say 10 years, or should he be more flexible? Should such policy decision be geared to the nature of the stock, its volatility?

MAY—Stemming from our credo as outlined above, one should make an investment on the assumption that the advantageous return will be recovered over the full long term, and by *himself,* and not by some one else in the liquid market, under Ponzi-scheme philosophy of relying on chain-disposal. If the market price happens to confirm your value-appraisal sooner than expected, that may be regarded as "gravy." To me Mr. Cortese's concept of "flexibility," although appealing, is basically invalid in identifying *price* changes with underlying *value.*

CORTESE—You misquote me when you say that I identify price changes with underlying value. The flexible policy I outlined calls for the sale of an issue when one **first** experiences, **for whatever reason,** doubts about its outlook. As explained before, the doubts may be for reasons pertaining to value or to market conditions. This does not identify price changes with underlying value.

An excellent illustration of the weakness in holding "value" for a long time is contained in the book "Equity Investing by Mutual Savings Banks" by August Ihlefeld, President of the Savings Banks Trust Company. Mr. Ihlefeld says, "The trouble with this 'good value' approach, persuasive as it appears on the surface, is that future earnings—not past or current earnings—will alone determine the ultimate price and dividend return of a common stock investment. The future holds many uncertainties, and too often a company which has established a fine record of earnings and dividends over a long period of years finally encounters unfavorable conditions and a severe decline in profits. We saw many such cases in the 1930's.

"To take one recent example, merely for illustration, consider the experience of the Celanese Corporation, one of the great rayon manufacturing enterprises of the country. Its net earnings over the 10 years ended 1951 averaged $3.79 per share. In June 1951, Celanese was quoted at 53 and was selling at 8.3 times the per share earnings of $6.39 for the preceding year. It was on a $3 dividend basis in 1951, giving a yield of 5.7%. The company had a fine record of growth, and had a major expansion program under way. Some analysts could well have considered the issue a 'good value' at the time.

"But the record beginning with 1951, when the textile industry underwent a recession, is significant. Earnings per share of Celanese were $1.28 in the first quarter of 1951, $1.22 in the second quarter, $0.77 in the third quarter and $0.29 in the fourth quarter. In the first two quarters of 1952 the company reported deficits. On May 29, 1952 the quarterly dividend was reduced from 75c a share to 50c a share, and a year later to 25c a share.

"This experience illustrates how the past record provides an inadequate guide to judging when stocks are 'good value,' since the future may be different from the past, especially for the more volatile industries and companies."

As we know, Celanese, one of the widely-favored growth issues of a few years ago, is now selling at 20. Numerous examples can be found of high value having subsequently deteriorated. A flexible policy is intended to keep the investor on guard against such developments. In my last letter I asked you what you do when an issue declines substantially and you eventually come to the conclusion that it is no longer a good holding. You did not answer the question. It seems to me that a flexible policy will protect against losses much better than your method of amortizing.

FINIS!

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

A & B Commercial Finishing Co., Inc.
Dec. 18 (letter of notification) 120,000 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds**—For equipment and working capital. **Office**—728 South Wheeling, Tulsa, Okla. **Underwriter**—White & Co., Tulsa, Okla., and St. Louis, Mo.

★ **Alabama-Tennessee Natural Gas Co.**
Dec. 21 (letter of notification) 1,800 shares of common stock (par $1). **Price**—$13.25 per share. **Proceeds**—To B. F. Grizzle, of Sheffield, Ala. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va.

● **Amalgamated Growth Industries, Inc. (1/11)**
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.

★ **Apartment Owners, Inc., New York**
Dec. 29 (letter of notification) 2,920 shares of 5% cumulative preferred stock (par $100) and 2,920 shares of common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$101 per unit. **Proceeds**—For purchasing interest in real estate leases or properties. **Office**—226 East 36th St., New York, N. Y. **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**—To be received at office of American Gas & Electric Co., 30 Church St., New York 8, N. Y. up to 11 a.m. (EST) on Jan. 11.

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.

Automobile Banking Corp. (1/25-29)
Dec. 28 filed 61,000 shares of series B 6% cumulative convertible preferred stock. **Price** — At par ($10 per share). **Proceeds**—To increase working capital. **Underwriters** — Bioren & Co. and H. G. Kuch & Co., both of Philadelphia, Pa.

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.

Basin Natural Gas Corp., Santa Fe, N. M.
Dec. 23 (letter of notification) 748,000 shares of common stock (par five cents). **Price**—40 cents per share. **Proceeds**—To acquire properties and leases. **Office** — Blatt Bldg., Santa Fe, N. M. **Underwriter**—Hunter Securities Corp., New York.

★ **Bush Manufacturing Co., West Hartford, Conn.**
Dec. 31 (letter of notification) 10,000 shares of common stock (par $5) to be offered for subscription by employees of company and subsidiary. **Price**—At 95% of market price at time of application by purchaser. **Proceeds**—For working capital. **Office**—179 South St., West Hartford, Conn. **Underwriter**—None.

Central Illinois Electric & Gas Co.
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. **Offering**—Expected today (Jan. 7).

● **Chemical Enterprises, Inc., New York (1/14)**
Dec. 21 filed 350,000 shares of common stock (par 25 cents). **Price**—To be supplied by amendment (probably around $10 per share). **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.

Clary Multiplier Corp., San Gabriel, Calif.
Dec. 23 (letter of notification) 16,000 shares of common stock (par $1). **Price**—$6.25 per share, or last sale price on the Los Angeles Stock Exchange preceding date of sale, whichever is lower. **Proceeds**—For working capital. **Office** — 408 Junipero St., San Gabriel, Calif. **Underwriter**—None.

★ **Colorado Oil & Gas Corp., Denver, Colo. (1/26)**
Jan. 5 filed 1,000,000 shares of common stock (par $3). **Price**—To be supplied by amendment. **Proceeds**—To retire $500,000 5% 3-year notes due Sept. 21, 1956, and to acquire and develop oil and gas properties. **Underwriter**—Union Securities Corp., New York.

★ **Columbia Pictures Corp., New York**
Dec. 29 (letter of notification) 1,000 shares of common stock (no par). **Price**—At market (estimated at about $21 per share). **Proceeds**—To common stockholders entitled to receive fractional shares in connection with 2½% stock dividend payable on Jan. 19, 1954. **Underwriter**—Hallgarten & Co., New York, will act as broker.

Consolidated Edison Co. of N. Y., Inc.
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**—Awarded on Jan. 6 to Morgan Stanley & Co. **Price**—It is planned to publicly offer the bonds at 102.77 following clearance through the SEC.

● **Consumers Power Co., Jackson, Mich.**
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**—$36.75 per share. **Proceeds**—For construction program. **Underwriter**—The First Boston Corp.

★ **CorpAmerica, Inc., Wilmington, Del.**
Dec. 29 (letter of notification) 20,000 shares of class A non-voting common stock (par $10), of which 7,819 shares are to be offered to class A stockholders pro rata and the unsold balance, plus 12,181 shares are to be sold to public. **Price**—$15 per share. **Proceeds**—For working capital. **Office** — 1901 W. Fourth St., Wilmington, Del. **Underwriter** — Laird, Bissell & Meeds, Wilmington, Delaware.

● **Danielson Manufacturing Co. (1/11)**
Dec. 24 (letter of notification) 10,704 shares of class A preferred stock (par $5) to be offered for subscription by stockholders. **Price**—$9.50 per share. **Proceeds**—For working capital. **Underwriter**—Coburn & Middlebrook, Inc., Hartford, Conn.

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).

NEW ISSUE CALENDAR

January 7 (Thursday)

Missouri Pacific RR.____________**Equip Trust Ctfs.**
(Bids noon CST) $3,000,000

January 8 (Friday)

Saint Anne's Oil Production Co._________**Common**
(Sills, Fairman & Harris) $800,000

January 11 (Monday)

Amalgamated Growth Industries, Inc.____**Common**
(R. A. Keppler & Co., Inc.) $299,998

Appalachian Electric Power Co.___________**Bonds**
(Bids 11 a.m. EST) $20,000,000

Danielson Manufacturing Co.___________**Preferred**
(Coburn & Middlebrook, Inc.) $101,688

Eitel-McCullogh, Inc.__________________**Common**
(Schwabacher & Co.) $340,750

January 12 (Tuesday)

Detroit Edison Co.____________________**Debentures**
(Offering to stockholders—no underwriting) $43,358,000

Houston National Bank________________**Common**
(Offering to stockholders) $500,000

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

Montreal (City of)_____________________**Debentures**
(Bids to be invited) $19,266,000

Public Service Co. of Indiana, Inc.__________**Bonds**
(Bids 11 a.m. CST) $25,000,000

January 13 (Wednesday)

Ohio Edison Co.__________________________**Common**
(Offering to stockholders—bids 11 a.m. EST) 527,830 shs.

Virginian Ry.___________________**Equip. Trust Ctfs.**
(Bids noon EST) $4,200,000

January 14 (Thursday)

Chemical Enterprises, Inc._________________**Common**
(Lee Higginson Corp.) 350,000 shares

General Telephone Co. of California____**Preferred**
(Mitchum, Tully & Co. and Paine, Webber, Jackson & Curtis) $3,000,000

Kansas City Power & Light Co.___**Pfd. & Common**
(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

Ritter Finance Co, Inc._________________**Debentures**
(Stroud & Co., Inc.) $1,000,000

January 19 (Tuesday)

Iowa-Illinois Gas & Electric Co.________**Preferred**
(Bids 10 a.m. CST) $4,000,000

Ohio Edison Co.___________________________**Bonds**
(Bids 11 a.m EST) $30,000,000

Trion, Inc._____________________________**Common**
(Reed, Lear & Co.) $94,600

Western Casualty & Surety Co._________**Common**
(Kidder, Peabody & Co. and Prescott, Wright, Snider Co.) 150,000 shares

January 20 (Wednesday)

Harris-Seybold Co._______________________**Common**
(McDonald & Co.) 50,577 shares

Michigan Consolidated Gas Co._____________**Bonds**
(Bids 10:30 a.m. EST) $20,000,000

Northern Indiana Public Service Co._____**Common**
(Offering to stockholders—Central Republic Co., Inc., Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane) 318,000 shares

January 22 (Friday)

Otter Tail Power Co.__________________**Debentures**
(Blyth & Co., Inc.) $2,500,000

January 25 (Monday)

Automobile Banking Corp._______________**Preferred**
(Bioren & Co. and H. G. Kuch & Co.) $610,000

Gulf Sulphur Corp.____________________**Preferred**
(Peter Morgan & Co.) $7,000,000

January 26 (Tuesday)

Colorado Oil & Gas Co.___________________**Common**
(Union Securities Corp.) 1,000,000 shares

February 2 (Tuesday)

Mississippi Power & Light Co.__________**Preferred**
(Bids to be invited) $6,000,000

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

Public Service Co. of Oklahoma____________**Bonds**
(Bids to be invited) $12,500,000

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

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 (flat). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—None.

★ **Douglas Oil Co. of California**
Dec. 28 (letter of notification) 14,200 shares of common stock (par $1). **Price**—At market. **Proceeds**—To Woodrow G. Krieger, President of company. **Underwriter**—Shearson, Hammill & Co., Los Angeles, Calif.

Eitel-McCullough, Inc. (1/11-15)
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. **Office**—San Bruno, Calif. **Underwriter**—Schwabacher & Co., San Francisco, Calif.

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.

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 Telephone Corp., Ocala, Fla.**
Dec. 30 (letter of notification) 24,975 shares of common stock (par $10) to be offered first for subscription by common stockholders. **Price**—$10.75 per share to stockholders, and $12 per share to public. **Proceeds**—For new construction, etc. **Underwriter**—None.

Florida Western Oil Co.
Nov. 6 (letter of notification) 250,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For drilling test well. **Office**—803 N. Calhoun St., Tallahassee, Fla. **Underwriter** — Floyd D. Cerf, Jr., Co., Inc., Miami, Fla.

★ **General Gas Corp., Baton Rouge, La.**
Dec. 29 (letter of notification) 18,000 shares of common stock (par $5). **Price**—$16.50 per share. **Proceeds**—To three selling stockholders. **Underwriter**—Kidder, Peabody & Co., New York.

General Hydrocarbons Corp.
Aug. 12 filed $1,010,800 of 20-year debentures and 66,424 shares of common stock (par $1) to be offered in units of $350 principal amount of debentures and 23 shares of stock. **Price**—$359 per unit ($336 for the debentures and $1 per share for the stock). **Proceeds**—For general corporate purposes. **Business** — Oil and gas development. **Underwriter**—None. **Office**—Oklahoma City, Okla.

General Telephone Co. of California (1/14)
Dec. 28 filed 150,000 shares of 5% cumulative preferred stock, 1947 series (par $20). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Mitchum, Tully & Co., San Fracisco, Calif., and Paine, Webber, Jackson & Curtis, Boston, Mass.

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.).

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. (1/25-29)**
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.

Harris-Seybold Co., Cleveland, Ohio (1/20)
Dec. 30 filed 49,605 shares of common stock (par $1) to be offered for subscription by common stockholders of record Jan. 19, 1954, on the basis of one new share for each seven shares held; rights to expire on Feb. 1, 1954. **Price**—To be supplied by amendment (to be somewhat below the market price). **Proceeds**—To reimburse company's treasury for its investment in C. B. Cottrell & Sons Co., and for general corporate purposes. **Underwriter**—McDonald & Co., Cleveland, O.

★ **Home Loan & Investment Co., Grand Junction, Colo.**
Dec. 31 (letter of notification) 500 shares of 4½% preferred stock to be offered for subscription by stockholders. **Price**—At par ($100 per share). **Proceeds**—For working capital, etc. **Office**—145 No. 4th St., Grand Junction, Colo. **Underwriter**—None.

Hydrocap Eastern, Inc., Philadelphia, Pa.
Oct. 30 (letter of notification) 100,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To pay debt and for working capital, etc. **Underwriter**—Barham & Co., Coral Gables, Fla.

Iowa-Illinois Gas & Electric Co. (1/19)
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 up to 10 a.m. (CST) on Jan. 19.

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.

★ **King Oil Co., Salt Lake City, Utah**
Dec. 28 (letter of notification) 800,000 shares of capital stock. **Price**—25 cents per share. **Proceeds**—For drilling expenses. **Office**—28 West Second South, Salt Lake City, Utah. **Underwriter**—None.

★ **Machol Edge Index, Inc.**
Dec. 28 (letter of notification) 400 shares of 10% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital, etc. **Office** — 25 Fifth Ave., New York 3, N. Y. **Underwriter**—None.

★ **Magnolia Park, Inc., New Orleans, La.**
Dec. 29 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For work on harness race track in Louisiana and for working capital. **Office**—National Bank of Commerce Bldg., New Orleans, La. **Underwriters** — Gearhart & Otis, Inc. and Hunter Securities Corp., both of New York; and T. J. Feibleman & Co., New Orleans, La.

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.

★ **Merritt-Chapman & Scott Corp., New York**
Dec. 31 filed 513,594 shares of common stock (par $12.50) to be offered in exchange for 1,078,546.25 shares of authorized and issued common stock (par $1) of Newport Steel Corp. at rate of one share of Merritt-Chapman stock for each 2.1 shares of Newport stock. **Underwriter**—None.

Michigan Consolidated Gas Co. (1/20)
Dec. 28 filed (by amendment) $20,000,000 first mortgage bonds, dated Jan. 15, 1954 and due on Jan. 15, 1979. **Proceeds** — To repay $20,000,000 3¼% bank loan notes due July 30, 1954, issued to provide temporary financing for additions to the company's utility plant. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Lehman Brothers (jointly); Smith, Barney & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly). On June 15, 1953, a group headed by Halsey, Stuart & Co. Inc., Harriman Ripley & Co. Inc., and Union Securities Corp. bid 100.125% for the issue as 5s. It was rejected. **Bids**—Tentatively expected to be received up to 10:30 a.m. (EST) on Jan. 20 at 415 Clifford St., Detroit 26, Mich.

Montex Oil & Gas Corp., Baytown, Tex.
Dec. 21 (letter of notification) 100,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—To underwriter, I. J. Schenin Co., New York.

● **Montreal (City of) (1/12)**
Nov. 19 filed $11,266,000 of 3½%-4% series 1953 debentures for local improvements and $8,000,000 of 3% to 3⅞% 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 in Montreal, Canada up to noon (EST) on Jan. 12.

★ **Nelsonville, (O.) Products Corp.**
Dec. 30 (letter of notification) 389 shares of common stock (no par). **Price**—$100 per share. **Proceeds**—For operating 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. **Underwriter**—To be named by amendment.

● **New England Gas & Electric Association**
Dec. 10 filed 32,126 common shares of beneficial interest (par $8) being 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. The offer will expire on Feb. 23. **Financial Advisor**—The First Boston Corp., New York.

★ **Northern Indiana Public Service Co. (1/20)**
Jan. 5 filed 318,000 shares of common stock (no par) to be offered for subscription by stockholders of record Jan. 8 at rate of one new share for each ten shares then held; rights to expire about Feb. 3. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters**—Central Republic Co., Inc., Chicago, Ill., and Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane of New York.

Ohio Edison Co. (1/13)
Dec. 10 filed 527,330 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.

● **Otter Tail Power Co., Fergus Falls, Minn. (1/22)**
Dec. 28 filed $2,500,000 of 4¼% convertible debentures due Jan. 1, 1964, to be offered for subscription by common stockholders of record Jan. 22, 1954, on the basis of $100 of debentures for each 25 shares of stock then held rights to expire on Feb. 8. **Price**—100% of principal amount. **Proceeds**—To retire bank loans and for capital expenditures. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

★ **Perfecting Service Co., Charlotte, N. C.**
Dec. 28 (letter of notification) 15,001 shares of common stock to be offered for subscription by present stockholders. **Price**—At par ($10 per share). **Proceeds**—For working capital and general corporate purposes. **Office**—332 Atando Ave., Charlotte, N. C. **Underwriter**—R. S. Dickson & Co., Charlotte, N. C., for up to a maximum of 8,001 shares.

Petroleum Service, Inc., Dallas, Tex.
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.

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., Lehman Brothers and Stone & Webster Securities Corp. (jointly); Harriman Ripley & Co. Inc. **Bids**—To be received up to 11 a.m. (CST) on Jan. 12, at the office of Sidney, Austin, Burgess & Smith, 11 So. La Salle St., Chicago 3, Ill.

● **Ritter Finance Co., Inc. (Pa.) (1/18-29)**
Dec. 24 filed $1,000,000 of 5½% debentures due 1966, and 12-year warrants to purchase 100,000 shares of class B common stock, to be offered in units of one $1,000 debenture and a warrant to purchase 100 shares; and 2,099 shares of 5½% cumulative preferred stock (par $50) and 20,990 shares of class B common stock (par $1) to be offered in units of one share of preferred and 10 shares of class B common stock. **Price**—For units of debentures and warrants, $1,000 per unit; and for units of preferred and class B stock, $65 per unit. **Proceeds**—For working capital and other corporate purposes. **Underwriter**—For debentures and warrants, Stroud & Co., Inc., Philadelphia, Pa. For stock units, none. **Offering**—Expected the week of Jan. 18 or 25.

● **Saint Anne's Oil Production Co. (1/8-11)**
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.

★ **Smart & Final Iris Co., Vernon, Calif.**
Dec. 28 (letter of notification) 42,857 shares of common stock (par $1) to be offered first for 15 days to stockholders; and thereafter to key employees. **Price**—$7 per share. **Proceeds** — For working capital. **Office** — 4700 South Boyle Ave., Vernon, Calif. **Underwriter**—None.

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.

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★ **Southwest Investors Inc., Dallas, Tex.**
Jan. 4 filed 500,000 shares of capital stock. **Price** — At market. **Proceeds**—For investment. **Underwriter**—None.

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.
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 late in February, 1954.

★ **Town Enterprises, Inc., Dover, Del.**
Dec. 28 (letter of notification) 200,000 shares of class A common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—317-325 South State St., Dover, Del. **Underwriter**—None.

★ **Transworld Mercantile Corp.**
Dec. 29 (letter of notification) an aggregate of not exceeding $50,000 of securities. **Proceeds** — To acquire license for two products, i.e., a garment changer device and a back and spine self massaging device. **Office**—c/o Dr. Kolton Udvardy, President, 100 Central Park West, New York 19, N. Y. **Underwriter**—None.

★ **Trion, Inc., McKees Rocks, Pa. (1/19)**
Jan. 4 (letter of notification) 23,650 shares of common stock (par 50 cents). **Price**—$4 per share. **Proceeds**—To three selling stockholders. **Business**—Manufactures and sells electric air filters. **Underwriter**—Reed, Lear & Co., Pittsburgh 19, Pa.

● **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.

Wallace Container Co.
Dec. 18 (letter of notification) 75,000 shares of class A common stock. **Price**—At par ($4 per share). **Proceeds**—To expand facilitees. **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.

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 Casualty & Surety Co. (1/19)
Dec. 29 filed 150,000 shares of common stock (par $5) to be offered for subscription by stockholders on or about Jan. 19, 1954, on the basis of one new share for each two shares held; rights to expire on Feb. 1, 1954. Western Insurance Securities Co., the parent, which owns 92% of the presently outstanding common stock, will not subscribe for any stock. **Price**—To be supplied by amendment. **Proceeds** — For working capital, etc. **Office**—Fort Scott, Kansas. **Underwriters**—Kidder, Peabody & Co., New York, and Prescott, Wright, Snider Co., Kansas City, Mo.

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. 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.

★ **Woonsocket Rubber & Plastics Products Co., Inc.**
Dec. 29 (letter of notification) 100,000 shares of common stock (par $2.50). **Price**—$3 per share. **Proceeds**—For payment on note and for working capital. **Office**—212 Clinton St., Woonsocket, R. I. **Underwriter**—Barrett & Co., Providence, R. I.

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 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.

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. Financing expected to be worked out by early February. **Underwriters** — The First Boston Corp., Halsey, Stuart & Co. Inc., and Glore, Forgan & Co.

★ **Community Public Service Co.**
Jan. 5, R. L. Bowen, President, announced that company plans to issue and sell in the latter part of March $3,000,000 of first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Previous bond financing was done through private channels.

Continental Oil Co.
Dec. 23 it was reported that this company is expected to be in the market for new capital.

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.

Delhi Oil Corp.
Dec. 29 it was announced company plans to offer to its stockholders the right to subscribe for additional capital stock (with an oversubscription privilege). Stockholders will on Jan. 18 vote on a proposal to increase the authorized capital stock (par $1) from 3,000,000 shares to 5,000,000 shares. **Price** — To be below the present market (about $20 per share). **Proceeds**—To retire debt, to increase working capital and for general corporate purposes.

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.

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. The highest bid ($32,000,000) is understood to have been made by Missouri Public Service Co., subject to approval of the City Council of Kansas City, Mo.

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.

Hempstead Bank, Hempstead, N. Y.
Dec. 18 stockholders approved plan of merger into this company of Bank of Syosset, L. I., N. Y., which will involve the issuance of 12,000 additional shares of Hempstead Bank of $10 par value. Unexchanged shares will be offered publicly. **Price** — $31.25 per share. **Underwriter**—Francis I. duPont & Co., New York. **Offering**—Expected in January.

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.

Houston National Bank, Houston, Tex. (1/12)
Dec. 21 it was announced Bank, following proposed two-for-one stock split-up, plans to offer its stockholders 50,000 additional shares of capital stock on a one-for-two basis. **Price**—At par ($10 per share). **Proceeds**—To increase capital. **Meeting** — Stockholders will on Jan. 12 vote on changing the authorized capital stock from 50,000 shares (par $20) to 150,000 shares (par $10).

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.

★ **Inter-Mountain Telephone Co.**
Dec. 23 it was reported company in April, 1954, may offer to its common stockholders some additional common stock. **Underwriter**—Courts & Co., Atlanta, Ga.

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.

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).

★ **Mississippi Power & Light Co. (2/2)**
Dec. 29 it was reported that early registration is expected of an issue of 60,000 shares of cumulative preferred stock (par $100). **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Union Securities Corp.; Lehman Brothers; W. C. Langley & Co. and The First Boston Corp. (jointly); Blyth & Co., Inc., Equitable Securities Corp., Shields & Co., White, Weld & Co. and Kidder, Peabody & Co. (jointly). **Bids**—Tentatively expected to be received on Feb. 2.

Missouri Pacific RR. (1/7)
Bids will be received by the company at St. Louis, Mo., up to noon (CST), 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.

Missouri Public Service Co.
Dec. 28 it was announced company plans to issue and sell $14,000,000 of common stock and borrow $18,000,000 from banks in connection with proposed acquisition of 1,500,000 shares of common stock of Gas Service Co. of Kansas City, Mo., at a total cost of $32,000,000. Following consummation of proposed merger of the two companies, it is planned to sell $18,000,000 in bonds and debentures to retire the bank loans. **Underwriter** — For stock: Kidder, Peabody & Co.

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.

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 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 (jonitly); 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 in 1954. **Proceeds**—For financing, in part, a $17,000,000 electric generating plant to be constructed in Denver, Colo. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Harris, Hall & Co. Inc.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly).

★ **Public Service Co. of Oklahoma (2/16)**
Dec. 30 it was reported company plans issuance and sale of $12,500,000 first mortgage bonds, series E, due 1984. **Proceeds**—For construction program and to repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Salomon Bros. & Hutzler; The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers; Blyth & Co., Inc., Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly). **Registration**—Expected Jan. 22. **Bids**—Around Feb. 16.

Southern California Edison Co.
Dec. 30, W. C. Mullendore, President, announced that it probably will be necessary for the company to obtain approximately $50,000,000 from the sale of additional securities in 1954, the type of which is not now known. Probable bidders for new first and refunding mortgage bonds, series F, may include: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Harris, Hall & Co. Inc. (jointly); Kuhn, Loeb & Co. Probable bidders for common stock may include: Blyth & Co., Inc.; The First Boston Corp.

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 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.

Spokane International RR. Co.
Dec. 29, F. C. Rummel, President, announced company is filing an application with the ICC for permission to offer 28,484 additional shares of capital stock (no par) to its stockholders of record Dec. 31, 1953, on the basis of one new share for each six shares owned. **Price**—$15 per share. **Proceeds**—For improvement and modernization program.

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.
Dec. 23 it was reported company plans to offer in March, 1954, about 200,000 shares of common stock and in May, 1954, approximately $15,000,000 of debentures. **Underwriters**—(1) For debentures 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. (2) Previous common stock offering (in 1952) was made to stockholders, without underwriting. If competitive, bidders may include Blyth & Co., Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; The First Boston Corp.; Union Securities Corp. and Smith, Barney & Co. (jointly).

★ **Virginian Ry. (1/13)**
Bids will be received by the company up to noon (EST) on Jan. 13 at 44 Wall St., New York, N. Y., for the purchase from it of $4,200,000 equipment trust certificates, series D, dated Feb. 1, 1954, and due annually Feb. 1, 1955-1969, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

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.

Walter, Woody Firm Admits Three Partners

CINCINNATI, Ohio — Walter, Woody & Heimerdinger, Dixie Terminal Building, announce that they have admitted to partnership John N. Fuerbacher, John M. Heimerdinger and Carl A. Muething. All have been associated with the firm for many years.

Chas. A. Fuller With M. H. Bishop & Co.

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—Charles A. Fuller has become associated with M. H. Bishop & Co., Northwestern Bank Building. For many years in the past Mr. Fuller conducted his own investment business in Minneapolis.

Bruns, Nordeman Appoints

Bruns, Nordeman & Co., members of the New York Stock Exchange, have announced the appointments of Henry R. Heims as manager in the Worth Street Office and Mike Fischer as a registered representative.

Washington . . . And You

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

WASHINGTON, D. C.—Preliminary signs are that the President passed one of his first hurdles of the new session—his conferences with his own party men in Congress on a legislative program—with rather considerably more success than was anticipated.

According to such word as can be obtained, the President genuinely did make a good impression upon the Republican leaders and committee chairmen who visited the White House to discuss the legislative program with him.

One of the signs of this was the subsequent absence of any privately inspired sniping in news stories against the President's conferences, and after they were over the boys all went home to save their public talking until after the formal message of the President today, or what they said about the nationwide radio and TV talk on Monday night.

It must be reported, however, that until after these conferences were over, there was a great deal of apprehension among the seasoned delegates of the political trade. By calling in committee chairmen in relays, the organization of these conferences gave the impression a great Army commander might make, having framed a battle plan. He called in, so to speak, the commander and staff of the first corps from 10 to 11 a.m., to be followed from 11 to 12 noon by the commander and staff of the second corps, and so on as if he were detailing a battle plan and giving them the pitch on what they were supposed to do.

Ordinarily genuine political conferring is done as privately as possible, with as little fanfare as possible, and in small select groups, who preferably come in through the side door.

So there was considerable apprehension that the great tactician had already formulated the strategic political battle plan and was merely passing the word down the line, but was ready to listen only politely to last-minute suggestions.

This was not the case, this correspondent is reliably advised. The President did not haul out a tentative message and say, boys do you agree with me. There was give and take all along the line, and a fair exchange of ideas. As a consequence, some people who figured Mr. Eisenhower was going to be too slow to learn the political trade are beginning to be more hopeful.

Spending Cuts Impress

This is not to say that everybody loved everything Ike is leaning toward. That hardly could be the case in the difficult circumstances ahead. However, the boys did get the impression that Ike meant well toward them and while they may have private reservations about some phases of the program the President detailed today, they were impressed by one outstanding thing.

This was the decision of the President to stick by Joe Dodge, Charley Wilson, and George Humphrey and go to work for a drastic (relatively) cut in defense spending. When it became apparent that these conservatives in the Administration wanted to make a real further stride toward cutting expenses, the spenders in the Administration conjured up the great Russian H-bomb menace of last October, and all the Administration's bad wishers in the press were trying to promote a first class scrap between the Defense Secretary and the Treasury Secretary over these projected cuts in estimated defense spending.

Under the hard political facts of life which will govern the second session of the 83rd Congress, it may be impossible to balance the budget. However, to have continued to operate in the red AND to have continued higher spending would have been an outlook which would have been too much for the majority of Congressional Republicans to take.

Humphrey's Tactic Pays Off

This decision to cut total spending a few billions, incidentally, shows that the approach of Secretary Humphrey and Joe Dodge is paying off. They have been in effect pointing out all this fall that if there were no large cut in projected spending below the current fiscal year, that 1955 would produce a budget deficit of $8 to $9 billion. And they, particularly Humphrey, have been saying so.

It may work out—as will be reported subsequently—that because of a snafu on the tax legislation, that the final fiscal '55 deficit will in effect approach this size. But if the Treasury Secretary and the Budget Director had not called attention to the fiscal facts of life a $4-$5 billion spending cut could have been hard to sell at the White House and the ensuing deficit would have been astronomical.

Will Have Tough Sailing

Despite the favorable impression Ike made on the boys in his own political lodge, he is going to have the toughest kind of sailing in the new session.

This is because the Democrats will be united to a degree which will surprise many now living but who have forgotten 1930-32 or who have not lived long enough to remember what Democrats, conservative as well as "liberal," can do when their basis of unity is not opposition to some sweeping social legislation of a Roosevelt or Truman, but unity to throw the present angels and/or rascals out.

Could Kill Tax Bill

Take the present tax program, for instance. This column of the "Chronicle" detailed on Christmas Eve the main outlines of the Administration's tax program and approach. It is the hope of the Administration that if it concedes the end of the Excess Profits Tax, the second 1951 income tax bite, and in a revision bill makes a beginning toward a better shake on depreciation, double taxation, and capital gains, that a majority will be good little boys and for the sake of this long-postponed reform will go along with maintaining the higher rates of excise taxation and a corporation income tax rate of 50% to 52%.

Since the revision bill is not yet revealed in its entirety, it is not possible to make a firm canvass of sentiment as it stands today.

However, one can put himself in a Democrat's spot. All these reforms are wonderful, but they don't sell to the school teacher on low pay, to labor, or to any other mass group like a hike to $700 from $600 in the personal exemption, which would cost a lot of dough.

It's a pretty good hunch that the Democrats will come around to making a hike of not less than $100 in the personal exemption their party policy. On a motion to recommit the Administration tax bill, they in the House could probably pass such a motion, along with perhaps one or two other vote-catching and expensive little gadgets. It would be difficult to hold enough Republicans in line for this demagogic pretty to prevent it passing.

In such a case about all the Administration could do would be to say let the bill sleep peacefully in committee until after the 1954 election and a new Congress comes.

Democrats in any case are sitting pretty. They can say OK on business tax relief, but give the individuals some relief, too. This would be pretty sure to kill the bill. In which case the higher excises on cigarettes, liquor, and motor vehicles would expire on schedule April 1 and at the same time the corporation income tax rate would drop to 47%, and the Treasury would run short another $2 billion of prospective revenues.

Democrats, including conservatives, actually would help achieve tax reduction for business whilst not being caught voting for it under this procedure. They have about all to gain and nothing to close.

Republicans, conversely, would be in the position of having taken the lead to deny individuals further tax relief and business the lower corporation rate, but, demagogically speaking, of having proposed relief for the well-to-do. It may sound irrational to persons outside Washington, but that is politics as she very likely may be played.

Think Defense Cuts Will Hold

President Eisenhower's chat with the Democrats may in the end prove to be a moderately beneficial enterprise, in the opinion of observers, so long as that benefit is placed in a limited perspective.

It is said that the President was not thinking of trying to sew up the Democrats for any part of his program. Instead he was just giving them (1) the courtesy of an advance look, and (2) himself an opportunity to explain why he cut a few billions off defense and another billion plus out of foreign aid.

Ordinarily the opposition first gets its word on a President's program from the Annual Message on the State of the Union. A little advance look could not help but promote a moderately warmer feeling.

One of the most controversial of the many controversial proposals is the President's defense cut. Old hands on the Hill believe that after all the oratory, this will prevail. They point out that while Democrats shouted loud in 1953 for a $5 billion boost in the Air Force, they were very careful not to bring this proposal up for a formal roll call vote.

(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

"It seems Lord Kensington has a bit to learn about American Commercials!"

Business Man's Bookshelf

45 Years in Wall Street: New Stock Trend Detector — W. D. Gann—Lambert-Gann Publishing Co., Inc., 295 Northeast Fifty-fifth Street, Miami 37, Fla. — $10.00 (or ask for free descriptive circular No. B-13).

How to Make Profits in Commodities— W. D. Gann — Lambert-Gann Publishing Co., Inc., 295 Northeast Fifty-fifth Street, Miami 37, Fla. (cloth), $10.00.

Lifetime Investment Program, A —Thomas F. Willmore—Harper Brothers, 49 East 33rd Street, New York 16, N. Y. — cloth —$2.75.

Managing Accounts for Capital Gains— Homer Fahrner — One copy, plus bulletins for next six months, $1.00—Homer Fahrner, Moon Road, Corning, Calif.

Medical Research May Save Your Life! — Gilbert Cant — Public Affairs Committee, 22 East 38th Street, New York 16, N. Y.— paper—25 cents.

No Sale, No Job—Alexander R. Heron — Harper Brothers, 49 East 33rd Street, New York 16, N. Y.—cloth—$3.00.

Realistic Depreciation Policy: A Summary—Machinery & Allied Products Institute, 120 South La Salle Street, Chicago 3, Ill.— paper—$1.00.

What to Expect in 1954—Carroll Tillman — The Devin Adair Company, 23 East 28th Street, New York 10, N. Y.—paper— $2.00.

With Goffe & Carkener

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Elmer E. Kauffman has joined the staff of Goffe & Carkener, Inc., Board of Trade Building, members of the Midwest Stock Exchange.