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EDITORIAL

As We See It

President Eisenhower, in his first Economic Report to Congress as required by the Employment Act of 1946, has set forth some excellent principles concerning governmental responsibility to the public and particularly to the business community.

Unfortunately, there are other sentences and sections of the Report which either directly or by rather plain implication rob the sounder sentiments there expressed of much of the heartening effect they otherwise might well give the thoughtful reader.

Consider the following sentences taken verbatim from the document in question:

"It is the government's responsibility in a free society to create an environment in which individual enterprise can work constructively to serve the ends of economic progress; to encourage thrift; and to extend and strengthen economic ties with the rest of the world."

* * *

"The decisions currently made by Government, whether in the sphere of taxes or housing or defense or agriculture or bank credit or any other major area, inevitably have implications for economic growth and stability if not immediately, then in a later day. The new concept that is emerging in the practical art of government . . . is to subject every act of proposed legislation or administrative decision, as far as that is humanly possible, to review from the standpoint of the contribution it is likely to make, whether in the immediate or more distant future, to the attainment

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Is Middle East Oil a Threat To Domestic Producers?

By B. BREWSTER JENNINGS*
President, Socony-Vacuum Oil Company, Inc.

Domestic oil executive describes the economic and political aspects of Middle East oil developments. Gives estimates of costs of Middle East oil in relation to domestic production, and finds that these costs remove threat of serious competition with domestic supplies. Says domestic producers require a margin of extra capacity to meet growing consumer demand, and stresses importance of Middle East oil reserves in world's future economic and political developments.

Though most persons are broadly familiar with the part that oil plays in providing energy for the world, it may not be amiss to comment briefly on this point. In the United States we rely on oil and natural gas to supply something over 65% of our total energy needs. Elsewhere in the world, notably in the British Isles and the Northern Continental countries, coal plays a greater part in energy supply than do oil and gas. Nevertheless taking the Eastern Hemisphere as a whole but exclusive of Russia it is estimated that about 21% of total energy needs is met by petroleum in one way or another.

B. Brewster Jennings

In order to supply the energy coming from petroleum there are produced daily in the Free World about 12,000,000 barrels of oil. Of this total slightly over half comes from the United States, some 20% from other Western Hemisphere countries, another 20% from what we refer to as the Middle East and the balance from other Eastern Hemisphere nations.

These figures tend to minimize the very great import-

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*An address by Mr. Jennings at the Third Eastern Regional Conference of the New York Society of Security Analysts, Inc., New York City, Jan. 28, 1954.

No Snowballing Into a Major Stock Market Decline!

By MORTON SMITH*
Vice-President, Girard Trust Corn Exchange Bank, Philadelphia, Pa.

Philadelphia bank economist lists as reasons why there will be no severe decline in business or in stock market prices: (1) capital goods expenditures are likely to be maintained at high level; (2) research activities are creating new products and even new industries; (3) advertising and selling programs are being stepped up, and (4) we have in Washington an Administration friendly to business, capital and labor. Says common stocks, though not cheap, continue to offer good values, and furnishes list of "Blue Chips" and "Pale Blue Chips." Concludes "there is a good range of choice."

The consensus of the economists who have been examining the country's business outlook for the next 12 months is that activity will be off from 5% to 7%—no depression just a mild sort of recession. A few individuals like Mr. Colin Clark of Australia and Prof. Jules Bogen of New York predict a much more serious state of affairs, although I see that Mr. Clark has retreated from his original point of view. The real question, however, is not whether or not we will have a recession. We are having one now. The issue is as to whether or not we can adjust ourselves to the fluctuations and changes of a free economy or whether the present down-turn will snowball into a major decline. There are several reasons for arguing that it will not.

Morton Smith

In the first place it is widely assumed that capital

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*Outline of an address by Mr. Smith before the Third Eastern Regional Conference of the New York Society of Security Analysts, Inc., New York City, Jan. 29, 1954.

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

Florida Power and Light Co.—Rupert H. Johnson, Partner, R. H. Johnson & Co., New York City (Page 2)

Arkansas Fuel Oil Co.—George F. Shaskan, Jr., Partner, Shaskan and Co., New York City. (Page 2)

RUPERT H. JOHNSON

Partner, R. H. Johnson & Co., New York City

Florida Power & Light Co.


Rupert H. Johnson

Most members of the financial community are familiar with the many desirable characteristics of the great recession proof electric power and light industry. Some of the strong points of this industry are: no competition, no inventory problems, no bad debts, average 10% increase of business for the country as a whole, a deflation hedge, State regulation which insures reasonably good management, and leverage of the common stock. (For example, a 10% increase in gross may at times result in as much as a 50% increase in net.)

It is not so generally realized, however, that the industry is a good hedge against inflation. For example, in the inflation era in France the utility industry was a better hedge than steel stocks.

There are a few companies in the industry which are growing much faster than the industry as a whole. This is due largely to greater population increases in the territory served, greater percentage increases in industrial development, and in the South the widening expansion of air conditioning which uses vast quantities of electric power.

One such outstanding company is Florida Power & Light Co., which has shown and is continuing to show dynamic growth. About 97% of their revenues are from the sale of electric light and power and about 3% from gas. Business is growing so fast that they advertise in the newspapers in the Miami area asking people to use oil stoves for heating purposes as at the moment they are unable to supply them with sufficient gas and electricity for gas and electric stoves.

The company serves electric power and light service to a total of 354 cities and towns, including Miami, Miami Beach, Coral Gables, Hollywood, Ft. Lauderdale, Palm Beach, West Palm Beach, Daytona Beach and St. Augustine, as well as Fort Myers, Sarasota, Bradenton and other communities on the west coast. All of the company's operations are in the State of Florida, and a population of 1,200,000 is served.

All electric properties are interconnected by transmission lines and are operated as a unified system. The company also supplies gas to Miami, Daytona Beach, Lakeland, Palatka and a few other communities with a population of 345,000.

Gross earnings from gas and electricity for the year ended Dec. 31, 1947 were $29,241,067. Five years later, or for the calendar year 1952, gross earnings were $61,408,593.

During the same periods, in 1947 net earnings after taxes were $3,574,295 compared to $7,621,653 in 1952. The company's gross and net earnings have continued to rise spectacularly in 1953. For the 12 months ended Sept. 30, 1953 gross earnings were $67,241,156 compared to $59,396,369 for the same period of 1952, an increase of $7,500,000—or over 12½%.

Net earnings for the 12 months ended Sept. 30, 1953 were $7,312,450, compared to $6,454,699 for the same period in 1952, an increase in one year of about $858,000, or over 13%.

The company had total assets of $234,000,000 at the end of 1952 compared to $144,000,000 at the end of 1947.

From time to time new issues of bonds and preferred stocks have been sold in order to finance, together with retained earnings, the company's rapid growth. In recent weeks an additional issue of $6,000,000 4½% preferred stock has been sold.

The population of the Miami area is believed to be over 500,000 today and the telephone company has made a private estimate that by 1960 the population of the Miami area will be 1,000,000. It is reasonable to expect, therefore, a continuing growth of business in that particular area and other parts of southern Florida.

The franchises under which the company operates in the various municipalities are considered generally satisfactory and have no burdensome restrictions. On Jan. 6, 1954 the Miami City Commission approved a 30-year extension of the Florida Power & Light franchise. Final approval must be given, however, by the voters at an election financed by the company to be held in April, 1954.

Under the new franchise the company will agree to pay the City of Miami 6% of collections from residential and commercial consumers. However, any taxes imposed by the City on real estate or personal property will be absorbed in the amount of this payment. The City's share for the past year would have been about $815,000, while the company paid taxes for that period of $215,000, making a gain to the City of $600,000.

It is not believed, however, that this new franchise will prove burdensome to the company and its earnings in the future.

Many investors in considering Florida Power & Light and other Florida companies bring up the question of hurricane damage. Florida Power & Light has made what it considers ample reserves to take care of any damage from hurricanes, and is placing more and more of their electric lines underground, the same as in large cities in other parts of the country. It is believed that hurricane damage will not adversely affect the company's earnings to any extent.

The population of the State of Florida is increasing about three times as fast as the remainder of the country as a whole.

Florida Power & Light Co. more than doubled their gross and net earnings during the last five years and it seems reasonable to assume that earnings will be doubled in the next five years. Each year more people go to Florida in the Winter. It is also surprising to know that many hotels on the Miami Gold Coast now do not shut down at all in the summer because the number of people vacationing there in the summer is increasing at a greater rate than those going in the winter.

Around Daytona Beach, for example, they have a larger number of people vacationing there in the summer months than in the winter months. Many people living inland in the South want to spend their vacations on the coast of Florida.

Air conditioning is being installed in practically all of the new hotels and motels being built in Florida, while most of the older hotels, like the Roney Plaza, have also installed air conditioning. Air conditioning is being installed in homes and businesses throughout Florida in increasing numbers each year.

The use of electricity in air conditioning units is sharply increasing the electric load throughout the South, and is one reason why their electric load in many places is higher in August than it is in December.

Florida Power & Light Co. has 2,450,000 shares common stock outstanding. The stock is selling at about 40 on the New York Stock Exchange and is paying quarterly dividends at the annual rate of $1.60 per share.

In the 12 months ended Dec. 30, 1953 the company earned $2.98 per share compared to $2.63 per share during the previous 12 months' period. The necessity of further expansion prevents the company from having a more liberal dividend policy at this time.

Most utility companies, however, from time to time issue additional shares of common stock either to their stockholders by rights or by direct sales to the public. It is interesting to note that Florida Power & Light Co. has not sold any common stock in this way except in July, 1949, 350,000 shares were sold to American Power & Light Co., which was the former parent company of this property. It appears, therefore, to be the policy of the Florida Power & Light Co. to refrain from selling additional shares to the public, so that the shareholders' interest in this growing property is not diluted from time to time as is the case with various other utility companies.

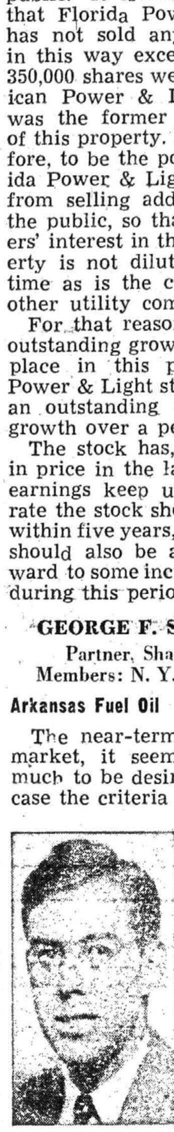
For that reason, as well as the outstanding growth that has taken place in this property, Florida Power & Light stock appears to be an outstanding value for steady growth over a period of years.

The stock has, in fact, doubled in price in the last four years. If earnings keep up at the current rate the stock should double again within five years, and stockholders should also be able to look forward to some increase in dividends during this period.

GEORGE F. SHASKAN, Jr.

Partner, Shaskan and Co.
Members: N. Y. Stock Exchange

Arkansas Fuel Oil


Geo. F. Shaskan, Jr.

The near-term outlook for the market, it seems to me, leaves much to be desired. If this is the case the criteria for selecting "the security I like best" are likely to be different from those at other times. A security should offer extremely sound long-term values in an industry with good growth prospects. Minimization of loss should occupy an important place. Arkansas Fuel Oil appears to meet these requirements.

Arkansas Fuel Oil is a relative

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Bills Introduced to Amend Securities Acts

Senator Homer E. Capehart and Congressman Charles A. Wolverton introduce identical Bills in Senate and House to amend Securities Acts. Text of the Bill and explanatory statement published herein, indicates purpose is to facilitate the furnishing of information during the "waiting period" of registration of new issues, and shortens period after effective date of registration, during which underwriters, brokers and dealers are required to deliver prospectuses. Exemption of securities from registration requirements raised from a maximum of $300,000 to $500,000, and permission given to dealers and brokers to extend credit on newly registered securities 30 days after end of the offering period. Bill also provides simplified registration procedure for Investment Companies. Hearings now under way.

Senator Homer E. Capehart (R.-Ind.), Chairman of the Senate Committee on Banking and Currency, on Jan. 27 introduced


Homer E. Capehart


Chas. A. Wolverton


Prescott Bush

a Bill (S. 2846) which would amend certain provisions of the Securities Acts that have long been regarded as oppressive to the securities industry, and as handicapping the distribution of new issues of securities.

An identical bill was introduced in the House of Representatives by Congressman Charles A. Wolverton (R.-N. J.), Chairman of the House Committee on Interstate and Foreign Commerce.

The Subcommittee of the Senate Banking and Currency Committee, of which Prescott Bush (R.-Conn.) is Chairman, began hearings on the bill. Among the witnesses yesterday (Feb. 3) were Ralph H. Demmler, Chairman, Securities and Exchange Commission; Edward C. George, Harriman Ripley & Co. Incorporated, Chicago; G. Keith Funston, President of the New York Stock Exchange, and Edward T. McCormick, President of the American Stock Exchange.

Witnesses scheduled for today are T. Jerrold Bryce, Clark, Dodge & Co., New York, President of the Investment Bankers Association; Charles F. Eaton, Jr., Eaton & Howard, Incorporated, Boston; Judson Large, President, Central Electric & Gas Co., Chicago; W. H. Barlett; Clyde McFarlin; James E. Day, President, Midwest Stock Exchange; and Harry Besse, Hutchins & Parkinson, Boston, President of the Boston Stock Exchange.

The proposed amendments to the Acts would (1) permit the making of offers, but not sales, of securities under registration during the "waiting period" between the filing of a registration statement and its effective date; (2) reduce from one year to 40 days the period during which all dealers are required to deliver prospectuses in connection with trading transactions in a new issue; (3) simplify information requirements for prospectuses used more than 13 months after the effective date of a registration statement; (4) raise the exemption limit of securities issues from registration from $300,000 to $500,000, and (5) permit brokers and dealers to extend credit to purchasers of new issues after a period of 30 days, instead of six months, as in the present law. There are also amendments made to the Trust Indenture Act of 1949 and to the Investment Companies Act.

An explanatory statement made by Senator Capehart is reproduced herewith, followed by the text of the Bill:

Senator Capehart's Memo

The text of Senator Capehart's statement follows:

The amendments are designed to make limited changes in the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939 and the Investment Company Act of 1940. The proposed amendments preserve existing statutory responsibilities and liabilities of sellers of securities to purchasers and the safeguards which have been established in the public interest. The proposals are intended to further the basic concepts and purposes of the statutes.

(1) Facilitating the Furnishing of Information to Investors During "Waiting Period"

A basic purpose of the Securities Act is to require that is-

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Articles and News

Regular Features

*No Canadian article this week.

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Fission for Growth

By IRA U. COBLEIGH

Author of "Winning in Wall Street"

A brief glance at the expanding application of atomic energy; and some projection of them as a potential generator of corporate income and dividends.

In all the tracts on the deployment of dough for long-term equity investment, the word "growth" is surely the most overworked. Everybody is always yakking about how many millions you'd have now if only you'd been an early bird in Radio, General Motors, Coca Cola, IBM, etc. They don't tell you that General Motors is only one of a dozen or so survivors of some 1800 automobile corporations which have chugged on, and from, our business scene since 1890. Hundreds of radio companies have also come and gone. Growth is only wonderful if it continues; but, at the outset, it's awfully hard to separate the redwood trees from the cactuses in the woodlands of finance. So it will be with atomic industries.

Ira U. Cobleigh

Look at your financial section and you'll see many new speculative enterprises with Uranium in their titles; and dozens of quite established companies are making newspaper headlines high-lighting a radio-active phase of their operations. In truth, there can be no question that atomic fission and its myriad uses, are the major contribution to energy source and to industry in this century; and it's equally true that many investors will wax opulent from same. But they will have to be discerning, informed, intelligent, patient and perhaps lucky if they are to succeed.

As a sort of chart or compass to eager-would-be entrants here let's set down some basic facts. Up to, and as of, now, it's a strictly government industry. The U. S. Atomic Energy Commission controls the whole works. It alone can buy and own the basic material, uranium ore. It will purchase, until 1958, all the ore offered at guaranteed prices on a sliding scale based on the U308 content of the ore. (Canada makes a similar deal running till 1962.) So, if you want to sell ore, these are your buyers. And if you seek to latch onto some of this fabulous basic mineral you can stake out a claim in Utah or Colorado; and inform Uncle Sam you're going to honeycomb your Plateau area with knapsack and Geiger counter (you'll recall a lad named Steen, written up in "American Mercury" and "Readers Digest," parlayed rock inspection, and Geiger clicks, into millions). However, that's pretty rugged road work for the average guy. The records also show that some speculators from the cozy comfort of their club chairs have done pretty well. In less than a year's time Nesbitt Labine rose from $1 to $4.65; Gunnar from 25¢ to $13.75 and Peach Uranium (well named?) rose from $1 to $40. So locating uranium either in person, or via shareholding, can be lush if you're lucky.

But for every success I've listed there are, and will be, dozens and dozens of "turkeys." Without any doubt the most hazardous approach to atomic profits is in ore prospecting enterprises. If you must dabble in this primary stuff, probably you ought to look at (1) Climax Molybdenum, a producer of uranium ore with a plant to treat 20,000 tons of ore daily, and (2) Vanadium Corporation, a leader in the Colorado Plateau with three mills for handling its own and purchased ores. Both of these companies are soundly financed and well managed. Their shares are listed N. Y. S. E.

Principal known deposits of uranium ore are in South Africa, the Belgian Congo, the Utah-Colorado Plateau and the Beaverlodge Area in Saskatchewan. Companies or prospectors will no doubt bring in new finds from time to time, so watch for sound enterprises which may be acquiring land holdings or mineral rights in this U-prone geography. If good grade ore bodies are located, extraction at present guaranteed prices can be extremely profitable.

Companies, not producing but processing, the ore would include (1) **Kerr-McGee Oil Industries** (there's common stock selling around 42, and a convertible bond for investors here) which will build a U-processing plant at Shiprock, New Mex.; (2) **Union Carbide & Carbon**, operator of Oak Ridge, and designated by AEC to run the new Paducah, Ky. plant; (3) **Vitro Manufacturing Co.** (stock over-the-counter) which combines technical and engineering services, with the operation of an ore refiner; and (4) **Blocks on Chemical** (stock underwritten last year) developing a process to get uranium out of phosphate rock.

Lithium is an important related mineral used to make hydrogen for H bombs. This is produced by **Foote Mineral** (common over-the-counter around 57), **Lithium Corp.** (around 7 O T-C), and **American Potash Co.**

So much, however sketchy, for the producers and treaters. What about nuclear power? Again, all rights to plant ownership, and even the technical patents, belong to AEC. With approval of this mighty agency, five utility-industrial teams are poring over techniques for using reactors to generate electricity. You may find some clues to atomic investment in these impressive pairs: **Monsanto Chemical—Union Electric** (St. Louis); **Dow Chemical—Detroit Edison; Bechtel Corp.—Pacific G. & E.; Walter Kidde—Duquesne Light; Commonwealth Edison—P. S. Northern Ill.**

This possible atom electric power production has a lot of people ga-ga. What, they ask, will it do to the use of coal, oil or natural gas as fuels? Well, there's no occasion for immediate alarm. Heat to generate electricity is by no means the most important factor in its cost (about 19%). True, reactors may be able to produce the heat, but can they do so at competitive cost? As a matter of cold hard fact, right now the tail wags the dog! Atomic Energy Commission is an enormous user of coal, and is the biggest single customer of electric power in the U. S. Atomic boom does not necessarily spell doom for other types of energy.

Not to stress the obvious, but rather to bring topicality to this theme, the launching of the submarine "Nautilus" at Groton, Conn., Jan. 21, and the **RCA** announcement last week of an atomic battery to run a radio, have had the board rooms buzzing. Literally thousands of speculators all of a sudden have gone on financial fission expeditions, making RCA the week's market leader at rising prices. Well RCA is a swell company and its pioneering in nucleonics is fascinating, but let's face it: impressive earnings totals from this department may be years away. So let's keep on tabbing RCA as an electronic great, with the atom playing a "selected short subject" to the feature attraction.

About the submarine, atomic propulsion is, of course, a revolutionary development, and success here might well lead to similar power plants in other Naval craft such as the much kicked around atomic-driven aircraft carriers. Frankly, however, the atom looks a long way off for ships in commerce. In any event, **General Dynamics** which has pioneered in this field is a solid company and has treated its stockholders well. The stock at 39 paying $3 has considerable merit.

It would be silly to attempt to include in this swift account, an appraisal of **Westinghouse** in the nuclear field. It is developing the power plant for the $55 million "Nautilus," and at work on a reactor for surface-type vessels; and much of the electrical equipment for the government plants has been and will be supplied by Westinghouse (also by **General Electric**). Lots of market analysts just plain like Westinghouse at present levels around 54½ and, to them, this atomic vista is just an extra attraction.

Active and up on the American Stock Exchange last week was **Walter Kidde & Co.** whose affiliate, **Walter Kidde Nuclear Laboratories, Inc.** at Garden City, L. I., has a contract with AEC to design a single-purpose reactor for power production (in association with **Duquesne Light Co.**). The company also makes fire extinguishing equipment for plants, pneumatic control equipment for aircraft, smoke detectors, etc. It is somewhat unique in that it has but 208,900 outstanding common shares, quoted currently at 35.

Because of the wide and excited current interest, this piece has been presented to limn some of the growth vistas in atomics. The truly titanic growth that will some day take place has been inhibited by government ownership and control, up to now, of all the basic factors. Uncle Sam has spent over $12 billion on atomics since 1940, against a wee fraction of that, by private industry. Thus, important forward motion by corporations awaits legislation, to be offered in Congress this year, giving private industry more alluring incentives, and a much larger participation in nuclear energy and application. With passage of such legislation, you may indeed begin to see fission for growth. In the meanwhile, watch the new uses in medicine, foods and manufacturing; you might also like to keep current by reading "Nucleonics" (a McGraw Hill magazine) and there's a new mutual fund, **Atomic Development Mutual Fund, Inc.**, with a portfolio devoted to atomic securities. Its prospectus contains an interesting list of share investments made to date, in this fabulous and fascinating field of fission. Some day, corporate earnings may display great atomic expansion. We hope you're aboard the right ones, when they do!

Joins John Douglas Co.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb. — William S. Latta, Jr. has become connected with John Douglas & Company, Inc., Insurance Building.

C. E. Ruple Opens

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo.—Carlton E. Ruple is engaging in a securities business from offices at 2124 West Platte Avenue.

J. C. DeJohnette Opens

CHICAGO, Ill.—Joseph C. DeJohnette is engaging in a securities business from offices at 236 South Cottage Grove Avenue.

Robert K. Bourne With H. W. Lutich, Inc.

Robert K. Bourne

SAN FRANCISCO, Calif.—Robert K. Bourne has become associated with H. W. Lutich, Inc., 525 Market Street, as Manager of the Over-the-Counter Trading Department. Mr. Bourne was formerly with J. R. Williston, Bruce & Co. and Conrad, Bruce & Co. in the Trading Department.

MacWhinney Is Director

S. S. MacWhinney

S. Sherman MacWhinney, a Vice-President of A. W. Benkert & Co., Inc., New York investment securities firm, has been made a director of the Detroit & Mackinac Railway Company.

Mr. MacWhinney has been associated with A. W. Benkert & Co., Inc., since 1939.

With Ferrell and Ferrell

(Special to THE FINANCIAL CHRONICLE)

GRAND JUNCTION, Colo.—George A. Williams is now with Ferrell & Ferrell, 411½ Main Street.

Rex C. Evans Opens

(Special to THE FINANCIAL CHRONICLE)

HOLOKE, Colo. — Rex C. Evans is engaging in a securities business from offices here.

The State of Trade and Industry

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

Little change was noted in total industrial production for the nation as a whole in the period ended on Wednesday of last week as declines in some lines tended to be cancelled out by advances in others. The over-all picture however, reflects a moderate drop from the high level of the year before.

A current report from the Federal Reserve Board stated that industrial production experienced a slight further decline in January. It gave no estimate of the extent of the drop from December. In that month, output of the nation's mines and factories stood at 127% of the 1947-49 average. This was 1½% below the November level and 4½% under December, 1952.

Steel mill operations declined more than the usual seasonal amount in December and did not show the "usual seasonal expansion" in January, the Board noted. Auto assemblies rose somewhat above the reduced levels of November and December, the Board added, but output at several important plants was restricted owing to dealers' large stocks.

A report from the National Association of Purchasing Agents points out that industrial demand picked up a little toward the end of January after a slow start. It declares its members are still cautious, but not pessimistic about the outlook for America's economy adding, the majority still believe the current slide may level off this quarter, and could turn upward.

Reports coming to hand indicate a slower pace in unemployment, after rising steadily for several months. In the week ended Jan. 23, new claims for jobless compensation declined 410,622. This was the second consecutive weekly decline—from 444,816 the previous week and 468,878 the week before. While the number of idle workers continues to rise, the employment situation in many areas was reported looking better than it did a few weeks ago.

Furloughed workers are being recalled by shoe producers in New England, by New York State apparel and textile manufacturing firms and by Avco's Crosley television plant in Cincinnati. Baltimore & Ohio Railroad was said to be rehiring some employes let out in recent months at its Cumberland, Md., shops.

Steel industry earnings were nearly 50% higher in 1953 than in 1952, but fourth quarter 1953 income fell 12% short of the similar period in 1952.

These conclusions are drawn from a compilation of steel company financial reports by "The Iron Age," national metalworking weekly. Included in the compilation are companies accounting for more than 80% of the industry's steelmaking capacity.

Sharp improvement in steel industry earnings last year resulted from the biggest volume of business in its history. Most companies reported all-time records in sales, production and shipments, states this trade authority.

Moreover, 1953 was a year of relatively unhampered production, whole operations in 1952 were crippled by a 54-day strike.

Earnings last year were also helped by increases in extra charges and base prices. But profit margins are still thin, may shrink thinner as a result of less volume this year. End of excess profits tax, however, will help ease the squeeze, it adds.

While reports of record or near record earnings spurred steel company stock values, hope for a sharp spring upturn in steel buying was growing dimmer. Yet, the market is becoming more stabilized than depressed. It would not be surprising if the steelmaking rate were to stay within the narrow range of the seventies through most of the first half of the year, it observes.

The market is intensely competitive with producers vying for business by nearly every means they can think of—short of slashing base prices. Actually mill net prices are being shaved closer and closer by freight absorption which is decidedly on the increase, continues "The Iron Age."

Seasonal factors are again present in the market but are currently being partly offset by other market developments. Some of the reasons no big upturn in spring buying is expected, this trade journal notes are: (1) although steel leaders are still generally optimistic, the more bullish ones have been forced to scale down their estimates of demand; (2) it would be foolhardy to gamble on a sharp pickup in automotive buying. The auto industry is still steel's No. 1 customer, but even the biggest and most aggressive auto companies are finding it prudent to shave production to keep from running too far ahead of sales; (3) although mills like to receive orders at least 30 days ahead of rolling, you can get most common carbon steel items on two weeks notice.

Offsetting some of the disappointments in the market, it states, are these points on the brighter side: (1) many small and miscellaneous steel users who had been completely out of the market while correcting inventories are placing orders again; (2) the tough adjustment period for warehouses appears to be nearing an end and (3) demand for construction products has held up better than had been expected.

Automotive production the past week declined below that of the previous week with output placed at 112,560. This represented a drop of 2% from the 113,532 in the preceding week and 4% less than the 117,654 in the like 1953 week, according to "Ward's Automotive Reports."

It was currently reported that Hudson is closing down this week, laying off 4,500 workers (it worked only three days in each of the past two weeks); and Nash is going on a four-day basis this week, cutting output about 20%.

Ford Division, too, is also cutting back but not yet to the ex-

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H. J. Carswell Heads N. Y. Fin. Advertisers

Howard J. Carswell, Manager of the publicity department of Guaranty Trust Co., was elected President of the New York Financial Advertisers. He succeeds Edward F. McDougal of Bankers Trust Co. Annual elections of the New York Financial Advertisers were held at a regular luncheon meeting in the Lawyers Club, 115 Broadway, New York City.

Howard J. Carswell

Edwin W. Goat, Assistant Vice-President of Bowery Savings Bank, became First Vice-President and Evans G. Morgan, Vice-President of The Hanover Bank, the Second Vice-President. Isabelle B. Murray, President of Hudson Advertising Co., was reelected Secretary, and Robert J. Stiehl, Assistant Advertising Manager of Banking Magazine, was re-elected Treasurer.

New directors for 1954 are Harold Choate, of Business Week; Mackarness H. Goode, of Irving Trust Co.; Patrick A. Ryan, of First Federal Savings & Loan Association of Hempstead; Kermit W. Schweithelm, of the Chase National Bank, and Mr. McDougal, of Bankers Trust Co.

Re-elected as directors were Clinton B. Axford, Editor of "The American Banker"; Richard Meyer, of Dow Jones & Company; Roland Palmedo, of Harriman Ripley & Co., Inc., Earl T. Sandmeyer, of Chemical Bank & Trust Co., and Quentin I. Smith, of Albert Frank-Guenther Law, Inc.

Hayden, Miller Adds

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Robert D. Johnson has become connected with Hayden, Miller & Co., Union Commerce Building, members of the Midwest Stock Exchange.

With Merrill Lynch

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Forrest N. Barnhart is with Merrill Lynch, Pierce, Fenner & Beane, 216 Superior Avenue, N. E.

Observations . . .

By A. WILFRED MAY

LATEST STOCK DERBY RESULTS —With the Usual Also-Rans

The day after last week's "Chronicle" containing our column on "The Persistently Sad Status of Forecasting" had gone to press, there appeared in the Economic Report of the President* the following substantiation from on high:

"As we turn from 1953 to the current year, we must first of all recognize the limitations of attempts at prevision. Despite the great improvement of statistical knowledge, it is impossible to deduce the future from statistics of the present, or to infer it from records of the past. Only those who adhere to a mechanistic view of history and human behavior, or who are enamored of forecasting formulae, can entertain such illusions. The best we can hope for is to minimize errors of miscalculation through making full use of available data, and to give due recognition to those elements of uncertainty that attach to both the present and the future."

A. Wilfred May

Thus CEA Chairman Arthur Burns, following the objective conclusions of his famed teacher Wesley Mitchell, joins top-level authority to our skepticism about the prophets' system.

* * *

Getting way down to the comparatively low level of stock market prediction, additional interesting data have just come to hand in the form of the results at the finish of the Wiesenberger Stock Derby. This annual nationwide contest is staged by Arthur Wiesenberger and Co., members of the New York Stock Exchange specializing in mutual funds. This year the entrants comprised professionals in the investment community and non-professional public investors (who are clients and subscribers to the Wiesenberger Investment Report), as well as the sophisticated and relatively objective members of the financial press. There were three "races" run as of the period Labor Day-to-the-year-end: the course of the Dow Jones Industrial Stock Average (which stood at 264.34 at the start); picking the individual issue to make the best percentage gain; and the stock which would show the greatest percentage loss over the run.

Up Stocks Go Down

In their selection of individual issues the contestants showed to particularly bad advantage. Of the 12 stocks receiving the most votes as the biggest gainer, seven actually declined in lieu of advancing at all—with the entire group of 12 showing an average **loss** of 4%. The 21% loss registered by one of the issues popularly picked to rise, Coastal Caribbean Oils, far exceeded that of any issue the experts picked to decline; and two of the other popular bull issues, Avco Corporation and Alleghany Corporation, each dropped 12%.

Such results surely demonstrate the inadequacy of mere formal obeisance to "selectivity" from hindsight!

Inter-Expert Contradictions

Interesting also, as in previous contests, was the wide disparity registered in the experts' predictions. An equal number of the contestants—about 12%—thought that the stock average would fall by 8% as those who, with the same "information," were convinced it would rise by 12%. 18.9% of the dopesters thought stocks would go up by 8%, and 4.2% went out on a bullish limb extending to 305. On the other hand, 3.2% of the prophets thought that the D-J would fall to 225.

The winning Dow selection was achieved by a non-profes-

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*Page 59 of the Report.

Consumers Can Call Turn in Business

By W. W. TOWNSEND*
President, Townsend-Skinner & Co., Inc., New York City

Calling attention to the "human equation" and "mass psychology" as factors in business forecasts, Mr. Townsend asserts the nature and extent of current business adjustment will be determined, not by statistics, but by what is in the mind of consumers during the next few months. Holds we have gone through a protracted business spree, in which there was over-production, over-spending and over-borrowing to purchase current satisfactions with future income. Sees an inventory log jam, and concludes "if John Public becomes apprehensive regarding his own job, he will pull in his horns so far as his consumer spending is concerned."

There have been so many conflicting opinions about the current economic outlook that it might be well to make a very simple statement in this connection, which is not only applicable at present but which always has been and always will be applicable at any given moment. Speaking figuratively, "tomorrow" we will experience the results of what we did "yesterday," modified to some degree by what we are doing "today." Stated somewhat differently, every adjustment we have ever experienced—and whether it be for better or for worse—has fed on itself to a certain extent; and the actual outlook is what the public believes that outlook to be, for the very simple reason that their actions, based on that belief, are largely responsible for bringing it to pass.


W. W. Townsend

The entire collapse of values between 1929 and 1932, which in the end had wiped out nearly 90% of the 1929 prices on the New York Stock Exchange, was touched off by a match, consisting of $8½ billion of brokers' loans. What happened in the next three years was comparable to a forest fire. The match started it but its part in the ultimate conflagration was infinitesimal.

The problem of the economists—and the reason for their differences of opinion—lies in another simple fact. Most of them are trying to make an exact science out of Economics, which is impossible because the human equation is the only equation which no one will ever solve with any kind of formula and the study of how we do business with each other—which is one way of describing Economics—has in it altogether too much of mass psychology to make accurate calculations possible.

*An address by Mr. Townsend before the New York State Title Association, New York City, Jan. 28, 1954.

The nature of their business compels economists to argue from cause to consequence. In the middle of that argument there sits the most unpredictable factor in the world, which is John Q. Public. He may or may not do what the economists believe he is going to do, either because he should do it or because that is what he did the last time. On the other hand, practically everything we do is done with money. Ninety percent of that money is check currency. Every one of those checks clears through some banking institution and leaves a trail behind it as plain as the track of the rabbit in the snow. If we take the evidence of the banking figures, which are published every week, we are looking at the primary consequence of mass psychology and the argument from primary consequence to secondary consequence is a relatively simple matter.

The bank-figure analyst has only one claim for consideration. He is dealing with advance information. The bank figures are the earliest, the most frequent and the most comprehensive factual evidence of what is in the mind of the public and from them it is very simple to ascertain whether their general attitude is confident or apprehensive. If it is confident, business is on the upturn; if it is apprehensive, busines will decline and savings will grow.

End of a Protracted Business Spree

That preliminary discussion brings us back to the original thesis of this talk, that the near-term outlook is for the consequences of what we did not long ago. That is simply expressed. We went through a fairly protracted business spree in which we overproduced, particularly in the case of consumer durables, in spite of the fact that the public's willingness to spend was so great that they overborrowed in order to purchase current satisfactions with future income. In eight years from the close of World War II, consumer debt increased from $5.6 billion to $28.2 billion and instalment debt from $2 billion to approximately $22 billion. In spite of that fact, at the end of 1953 there were at least half a million unsold automobiles which had been manufactured during that year and no one knows how many unsold used cars which had been taken in trade — and the same situation applied to most consumer durables, including washing machines, dryers, refrigerators, electric ranges, television sets and radios. To a minor degree we had succeeded in creating an inventory log jam similar to the one which got us into trouble in 1937, although the combination of circumstances was somewhat different. In that earlier year the public had curtailed its spending and the disparity between consumption and production, while severe, was easily remedied with the restoration of confidence. Under existing circumstances—and unless we want to get further into trouble—we will simply have to cut back on production until consumption can catch up. We cannot be assured of that part of 1953 consumption which was represented by consumer borrowing because that source of business has dried up to a trickle. The increase of consumer debt for November, 1953 was about one-sixth of the increase for November, 1952.

Now, the secondary consequences of an inventory log jam may be mild and not widely felt, but they are definite and inescapable. They are not only less production but also less employment, less wages, less earnings—both gross and net — and less dividend expectancy, in the case of those industries which are affected.

In this particular instance, the industry most affected by overproduction is the automobile industry, which normally consumes 20% of our steel, 70% of our rubber and 70% of our glass. The effects, therefore, of a slow-down in this industry could be felt not only in Detroit but also in Akron, Toledo and Pittsburgh.

What If John Public Becomes Apprehensive?

So much for the consequences of what we did yesterday. How can they be modified by what we are doing today? The answer to that question is equally simple. If John Public becomes apprehensive regarding his own job because some of his neighbors have lost theirs, he will pull in his horns as far as his consumer spending is concerned and if there are enough individuals who become apprehensive, the situation could get quite serious. The reason for that is also quite plain. The government can restrict and restrain John Public in his enthusiasm. It cannot induce that enthusiasm and, specifically, it cannot make a man who is apprehensive spend his money as though he were not. Fortunately, the banking figures do not disclose, as yet, that this apprehension has become widespread and if it does not the slow-down, which we must experience as the result of yesterday's excess production, could be mild and short. In fact, we could be well out of this adjustment before 1954 has come to an end. The undetermined variable in the entire cal-

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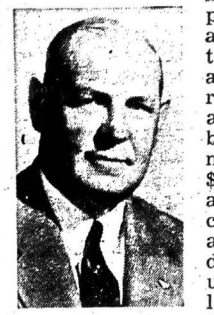
The Air-Conditioning Industry

By HOBART C. RAMSEY*
President, Worthington Corporation

Revealing air-conditioning as "a billion dollar industry," Mr. Ramsey describes different types of air-conditioning equipment, and discusses their potential demand; their sales record; and their growth factors. Holds air-conditioning industry is entering a boom phase which is expected to last 10 years, but competition will become continually keener. Concludes growth and survival of the industry will depend upon individual producer's ability to keep abreast of developments in engineering and technical design.

In the year just ended the air-conditioning industry has been calling itself, with some justice, a billion-dollar industry. Estimates of 1953 production and sales for the industry as a whole range from almost $1 billion to more than $1.75 billion, and it has become fashionable to predict growth up to $5 billion a year by 1963.


Hobart C. Ramsey

To understand these figures it is necessary to examine first the four basic types of air-conditioning equipment. These are:

The Room-Cooler, of less than 2 HP, including both window-sill and console units;

The Commercial Packaged Unit, of 2-15 HP, which can be used with or without ductwork; and to which a heat generating element may be attached;

The Year-Round Residential Unit, of 2-3-5 or 7½ HP, in which the cooling unit is either added on to the heating unit or combined with it in one package; and

Central Station equipment for large commercial and industrial structures.

Overall estimates are comprised of the costs of essential equipment plus such installation costs as ductwork, plumbing, electrical equipment and frequently structural alterations. They lift this industry into the billion-dollar bracket.

Making all reasonable allowances for optimistic inflation of these statistics, it is nevertheless clear that air-conditioning is now big business, and is destined to become bigger still. After 50 years of relatively slow development interrupted by depression and war, air-conditioning has at last won definite consumer acceptance.

Since 1950 it has entered on the steep growth curve typical of new industries under favorable conditions. For the next 10 years it is safe to predict a continuing expansion of production capacity and merchandising effort in this field. Ultimately we expect air-conditioning equipment will come into general use throughout the nation, and every modern structure will be air-conditioned.

Some time before this point is reached, the industry will inevitably experience the pains of over-crowding; and a considerable readjustment will be required when the expansion period ends.

These considerations are general and elementary; they also affect a future too far distant to consider here. The purpose of this paper is to analyze the available data in such a way as to show:

(1) **Potential Demand:** where today's huge demand for air-conditioning equipment is coming from; why the potential is so great; and what limiting factors may reduce the actual effective demand;

(2) **Sales Record and Forecast:** the performance of the industry in 1953 and the outlook for 1954 by types of products;

(3) **Growth Factors:** the types of companies in the field, and the factors that will influence their future growth and stability.

*An address by Mr. Ramsey, prepared for the Third Eastern Regional Conference of the New York Society of Security Analysts, Inc., New York City, Jan. 29, 1954.

I
Potential Demand

(A) **By Industry:** Air-conditioning was first introduced as a necessity for certain industrial processes, such as textiles, tobacco, and printing, where it is important to control air temperatures and humidity and to remove dust from the air. It proved of immense value in industries dependent on chemical and biological laboratory work.

The number of industries dependent to some degree upon air-conditioning for this purpose is steadily growing, and it now includes the following:

Ammunition, candy and confections, cereal and food products, film, leather, paper, pharmaceuticals, plastics, printing and lithography, textiles, tobacco, aircraft components, cameras, communications, electronics, optical goods, vitreous ware, precision equipment, blast furnaces, dye works, explosives, gases, heavy chemicals, rayon, rubber antibiotics, bakeries, biologicals, breweries, distilleries, and meat packing.

There is also another large group of industries, including petro-chemicals, in which cooling or refrigeration is required as part of the manufacturing process. Equipment for these applications is in many cases identical with the basic components of large air-conditioning systems, and is made by the same manufacturer.

The use of air-conditioning in manufacturing plants and laboratories led to the discovery that cool, clean, dry air is good for people as well as for products. Furthermore, while it is important only for a select group of products, it is important to all people.

Air-conditioning in factories has been shown to reduce fatigue and thus promote efficiency and reduce accidents; reduce sickness and therefore absenteeism; make the plant a more pleasant place to work in and thereby reduce both voluntary absenteeism and labor turnover; and in all these ways to reduce production costs.

It would probably be premature to say that air-conditioning is a "must" for all new plants planned or under construction this year. However, it is certainly a "must" for all plants and manufacturers who aspire to be regarded as "modern."

Ultimately competition will force all manufacturers to adopt this method of cutting costs; the process may be hastened by improvements in air-conditioning equipment to lower costs and increase efficiency, or by a business recession sufficient to sharpen competition.

(B) **By Business and Commerce:** Air-conditioning moved into the commercial field in the 1920's

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Business, Not Government, Has Responsibility for Prosperity

By BENJAMIN F. FAIRLESS*

Chairman of the Board, United States Steel Corporation

Asserting most of depression talk is inspired more by the politics rather than by the economics of our present situation, Mr. Fairless declares responsibility for prosperity or recession rests squarely upon business and industry itself, and not on the government, which can do no more than provide the fullest measure of opportunity and incentive. Says present Administration has already laid groundwork for prosperity by: (1) providing peace; (2) stabilizing the currency, and (3) returning competition to a free and open market. Warns a heavy Federal deficit would mean another round of inflation, and looks to public works projects and outlays for industrial plant and equipment to maintain employment.

A few weeks ago, the outstanding economists of this country met in Washington to survey the state of the nation's prosperity. They studied every available index of business activity, and when they had gone over all their charts and tables, and had peered into the future through their crystal slide rules, the concensus among them was that 1954 will not be the best year in our history. It will only be the second or third best, according to their calculations.

Benjamin F. Fairless

Now the prospect of struggling through a year that is only the second or third most prosperous we have ever known is not exactly what I would regard as a fate worse than death. Yet if we were to believe even one-half of the alarmist talk that we see quoted in the press, we could only conclude that we are sliding into a terrible depression—that America's Golden Age is past, and that our only chance of salvation is to board the first train for Washington and beg the Government to run our business for us.

Well I, for one, am not quite ready to give this country back to the Indians; and I think the time has come when we ought to face squarely up to the fact that most of this depression talk that we hear is inspired more by the politics of our present situation than by the economics of it.

We must recognize, I think, that while no real American can possibly want a recession, there are certain groups in this country which stand to gain political advantage by creating the illusion of recession. Generally speaking, these are the groups which have a vested interest in "Big Government." They are people who believe in an all-powerful and almighty State. They are the "outs" who want to get back in.

And since it is an old and honored rule of politics that voters don't change horses in the middle of prosperity, the natural inclination of these groups is to exaggerate every decline that occurs in any part of our economy. In this way, they hope to persuade the American people that the situation is getting out of hand, that private enterprise cannot cope with it, and that Government must therefore step in.

Now as one example of these tactics, let us look for a moment at unemployment. The alarmists tell us that there are more than two million persons out of work in this country today, and the way they tell it, that does sound very serious indeed. But they do not mention the fact that even in times of "full employment" there are almost always $1\frac{1}{2}$ to 2 million unemployed who are in the process of changing jobs.

These people may be moving from one city to another. They may be looking for an opportunity which is better suited to their particular skills or tastes, and that will therefore provide better pay and greater security. Or they may have been laid off, for one reason or another.

But they can — and do — find new jobs. The normal turnover continues, and the men who are unemployed this month, are not the same ones who were out of work last month or who will be next month. Meanwhile, of course, their unemployment insurance not only helps to cushion the financial hardship, but often encourages them to risk making a change in the hope of bettering themselves.

So the truth is that unemployment today is very close to the irreducible minimum which normally prevails in peacetimes; and it is actually below the average level of recent years.

The years since the end of World War II have been among the most prosperous that America has ever seen; and certainly no one—so far as I know—has been complaining about any lack of jobs up to now. But month in and month out, during this entire period, there has been an average of $2\frac{1}{4}$ million persons out of work. And at the high point there were $4\frac{1}{2}$ million.

Moreover, I think we should not forget that the number of people who do have jobs, and who are at work, is about $3\frac{1}{2}$ million higher today than it was in 1947 at the start of this postwar prosperity.

So there are the simple facts; but they have been distorted greatly in what seems to me to be a calculated attempt to make it appear that the recent rise in unemployment is a serious threat to our economy. The authors of this deception are already clamoring loudly for immediate government action. And what action do they want?

Well, you won't need three guesses.

Specifically, they demand another huge program of deficit spending which would come to as much as $12 billion this year. In other words, they propose another crippling round of inflation, with wages and prices chasing each other in the same old vicious spiral that has already caused so much suffering among so many of our people.

Gentlemen, if our national supply of common sense has not been wholly exhausted, the American people will take a long, cold look at that primrose path of inflation before they travel it again; for the destination to which it leads is national ruin.

So instead of trying, tonight, to read the inscrutable future, I propose that we turn our eyes, for a moment, in the opposite direction; and that we use a little of that 20-20-hindsight with which the Good Lord in His wisdom, has so generously endowed us all.

Now it happens that this week marks the anniversary of an important event in American history; and I do not think that it should be allowed to pass unnoticed, even though I doubt that any group, anywhere, will particularly want to celebrate it.

You see, it was just 20 years ago thas coming Saturday that the Gold Reserve Act of 1934 went into effect. That was the law under which the gold content of our dollar was reduced to 59 cents; and it represented a bold and conscious effort on the part of our government to produce a great wave of inflation that would overcome the forces of depression.

In the years that followed, deficit was piled upon deficit. Money was spent like paper. In addition to a huge public works program, thousands of leaf-raking, shovel-leaning, and boondoggling projects were undertaken. And nothing that the government could possibly do was left undone.

But it didn't bring prosperity; and it didn't end unemployment. In 1939—when World War II began—there were still $9\frac{1}{2}$ million jobless men and women in this country who were desperately seeking work. That was 17% of our total civilian labor force—one man out of every six.

So hindsight, and a little common sense, should convince us by now, I think, that government alone can neither create prosperity nor overcome depression. Only the American people themselves can do that.

The Secretary of the Treasury, George Humphrey, in a little talk which he made recently, has put it about as well as anyone I've heard yet. He said:

"The success or failure of our economy depends chiefly upon our people themselves — upon businessmen, laborers, farmers — everybody in America. The only thing that government can do is to provide a fertile field to work in; but the thing that makes America go—and that always has and always will—is the individual effort of 150 million people, all trying to do a little more for themselves, a little more for their families, and a little more for each generation — every fellow trying to improve his own position. The cumulative effect of all that work, by all those people, is the thing that has made America what it is today."

And President Eisenhower, of course, struck much the same note in his Annual Message this year when he said that government can strive to maintain an economic system whose doors are open to enterprise and ambition, but that enterprise and ambition are qualities which no government can supply.

Now I can think of no better illustration of the truth of those two statements than what was going on right here in Wilmington all during the depression. Twenty years ago, while many of our people—and some of our businessmen—were looking to Washington to bail them out of their difficulties, the du Pont Company was spending millions of dollars on a program of research which led finally to the discovery of nylon, orlon, dacron and many other new and wonderful things.

It was also spending additional millions to develop, perfect, and to market other new discoveries such as cellophane, neoprene synthetic rubber, freon gas which revolutionized the air conditioning industry, Lucite, Butacite, and a long list of plastics, the names of which I would not attempt even to pronounce.

Today these products account for nearly half of du Pont's total sales; and because this company had faith in itself, and faith in the future of America, our whole economy has been strengthened. Hundreds of new and smaller businesses have been created as a direct result of these discoveries. Thousands of new jobs have been opened up; and millions of Americans now live better and more comfortable lives because of these things which otherwise would not exist at all.

So there, I think, is a fine example of what business has done — and is doing — to provide not only for the steady growth of our economy, but for the constant betterment of our way of life. Last year, American industry spent more than $3 billion on research alone. Much of this money went into the creation of new products, new discoveries, and new jobs. A lot of it also went to devise new production techniques and new machines which have enabled American workers to produce more, to earn more and to buy more.

But research in itself is merely the first step; and it represents only a small part of the costs that industry meets each year in its effort to keep our economy growing. The discoveries made in the laboratory are only the blueprints of prosperity; and they have still to be transferred into the plants and facilities that turn out the new products for our customers and provide the new jobs and new earning power for our workers.

And that, as you know, my friends, takes money—real money.

Today we are told, for example, that the government has $15 billion worth of public works project on the shelf, and that it will use them if necessary to prevent a recession. Now $15 billion would certainly provide several million jobs and it would undoubtedly give us some magnificent public buildings, many beautiful parks, and a whole lot of fine new roads that we badly need.

In fact, $15 billion is a sum so vast that our minds cannot really comprehend it at all. But it is small potatoes, indeed, when you stop to think that American business last year spent nearly twice that much for new plant and equipment alone. And not only did these expenditures provide millions of jobs for those who performed the work, but they created productive facilities which will go on and on—as long as they exist—to generate a wealth of new purchasing power for all the American people. So the dollars we spent in this way were many times more important to the future prosperity of this nation than the usual public works program could ever be.

Moreover, these private investments in new plant and equipment are not just one-shot, stopgap, emergency devices to be tried for a while and then abandoned. They, too, go on and on, year after year. Last year, they reached an all-time peak of $28 billion; and during this first quarter of 1954, they will be even higher than they were at this time last year.

Harlow Curtice has already announced that General Motors will spend a billion dollars in the next two years for this purpose; and the steel industry will spend three-quarters of a billion during the current year alone. In the past two years, United States Steel, itself, has put more than $830 million into productive facilities, and even though its great postwar expansion program has been practically completed, it will still spend another $300 million in this way, this year.

So it might be said that industry is betting its shirt that there won't be a depression. But I would put it another way. I would say that industry is merely continuing—as it always has—to pay

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*An address by Mr. Fairless at the 117th Annual Meeting of the Delaware State Chamber of Commerce, Wilmington, Del., Jan. 28, 1954.

Dealer-Broker Investment Recommendations & Literature

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

Bank Stocks—Analysis of 1953 Year-end Reports—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Banks and Trust Companies of New York—Comparative figures as of Dec. 31, 1953—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y. Also available is a bulletin on the **Bond Market.**

City of Philadelphia and Philadelphia School District Bonds—Semi-annual appraisal—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa. Also available is semi-annual appraisal of **Equipment Trust Certificates.**

Electric Utilities—Bulletin—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

High Yield Stocks—Bulletin—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Investment Facts About Common Stocks and Cash Dividends—Tabulation of stocks on New York Stock Exchange paying dividends from 25 to 106 years—New York Stock Exchange, New York 5, N. Y.

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

Japanese Automobile Industry — Data in current issue of "Weekly Stock Bulletin"—The Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Mechanics of Clearing Deals—Booklet—Lacy Kux, American Nile Corporation, 350 Fifth Avenue, New York 1, N. Y.

New York City Bank Stocks — Year-end comparison and analysis of 17 bank stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

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

Real Estate Securities for 1954 — Data on 10 issues—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y.

Why Government Cannot and Will Not Stop This Recession in Time—Report No. 302, $2.00—Dept. CF-24, Major L. L. B. Angas, Inc., 480 Lexington Avenue, New York 17, N. Y. Also report No. 303, **Prepare Once More to Scurry,** also $2.00.

* * * *

American Metal Products Company—Detailed bulletin—Gartley & Associates, Inc., 68 William Street, New York 5, N. Y.

Attapulgus Minerals & Chemicals Corporation — Circular—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Campbell-Taggart Associated Bakeries, Inc.—Analysis—Sanders & Newsom, 1309 Main Street, Dallas 2, Tex.

Citizens Utilities Co.—Memorandum—Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.

Craddock-Terry Shoe Corporation—Analysis—Strader, Taylor & Co., Inc., Peoples National Bank Building, Lynchburg, Va.

Detroit Edison Co. — Memorandum — McDonnell & Co. 120 Broadway, New York 5, N. Y.

Erie Reinforced Plastic Pipe Corp.—Bulletin—Capper & Co., 25 Broad Street, New York 4, N. Y.

Fitzsimmons Stores Ltd. — Memorandum—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif.

Food Machinery & Chemical Corp. — Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

How to Understand Stocks Better—In the current issue of "The Exchange"—subscription $1.00 for 12 issues—Department C, The Exchange Magazine, 20 Broad Street, New York 5, N. Y.

Hudson's Bay Co.—Memorandum—Goodbody & Co. 115 Broadway, New York 6, N. Y.

Interchemical Corporation — Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y.

International Petroleum Co., Ltd.—David A. Noyes & Co., 208 South La Salle Street, Chicago 4, Ill.

Lehman Corporation — Memorandum — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Louisiana—Analysis of bond structure—Scharff & Jones, Inc., 219 Carondelet Street, New Orleans 12, La.

Massachusetts—Booklet giving up-to-date financial statistics on the Commonwealth—Tyler & Company, Inc., 11 High Street, Boston 10, Mass.

Micromatic Hone Corporation—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available is a bulletin on **Atlas Plywood Corporation.**

National Gypsum Company — Analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue are data on **Spencer Kellogg & Sons** and a list of **Switch Suggestions.** Also available is a memorandum on **Okonite Corp.**

Philip Carey Manufacturing — Circular — Filor, Bullard & Smyth, 39 Broadway, New York 6, N. Y.

Pickering Lumber Corporation—Analysis—George K. Baum & Company 1016 Baltimore Avenue, Kansas City 5, Mo.

Public Service of New Hampshire—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Pure Oil Co.—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Rand Development Corp.—Memorandum—Fulton, Reid & Co., Union Commerce Building, Cleveland 14, Ohio.

River Brand Rice Mills, Inc.—Review—Golkin & Co., 61 Broadway, New York 6, N. Y.

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

Universal Match Corp.—Memorandum—C. E. Unterberg, Towbin Co., 61 Broadway, New York 6, N. Y.

Webster Chicago Corp. — Memorandum — Link, Gorman, Peck & Co., 208 South La Salle Street, Chicago 4, Ill.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION, INC.

Phillip J. Clark, President, National Security Traders Association, Inc. announced the appointment of the following Committee Chairmen, after the recent successful meetings in Chicago.

Edward H. Welch

R. Victor Mosley

Graham Walker

Ludwell A. Strader

Henry Oetjen

Jerome F. Tegeler

Advertising—Harold B. Smith, Pershing & Co., New York, New York.

Convention—Edward H. Welch, Sincere & Co., Chicago, Ill.

Corporate & Legislative—R. Victor Mosley, Stroud & Company, Incorporated, Philadelphia, Pa.

Membership—Graham Walker, Joseph McManus & Co., New York, N. Y.

Municipal—Ludwell Strader, Strader, Taylor & Co., Lynchburg, Va.

Public Relations—Henry Oetjen, McGinnis & Co., New York, New York.

Publicity—Jerome Tegeler, Dempsey-Tegeler & Co., St. Louis, Missouri.

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Investment Traders Assn. of Philadelphia Annual Dinner on Feb. 26

The 30th Annual Dinner of the Investment Traders Association of Philadelphia to be held Friday, Feb. 26, will be preceded by a member-guest luncheon at 12 noon. Reservations should be made with Willard Rice of Eastman, Dillon & Co., or Rudolph Sander, Butcher & Sherrerd. As reservations are limited they should be made early.

COMING EVENTS

In Investment Field

Feb. 11, 1954 (Boston, Mass.)
Boston Securities Traders Association 30th annual winter dinner at the Sheraton Plaza Hotel.

Feb. 11, 1954 (Chicago, Ill.)
Bond Club of Chicago 43rd annual meeting at the Mid-Day Club.

Feb. 15-17, 1954 (Washington, D. C.)
Board of Governors of Association of Stock Exchange Firms meeting.

Feb. 26, 1954 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual midwinter dinner at the Ben Franklin Hotel.

Apr. 29-30, 1954 (St. Louis, Mo.)
St. Louis Municipal Dealers Group annual outing.

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

May 9-11, 1954 (Dallas, Tex.)
Texas Group Investment Bankers Association annual convention.

May 12-14, 1954 (Boston, Mass.)
Board of Governors of Association of Stock Exchange Firms meeting.

May 16-20, 1954 (Chicago, Ill.)
National Federation of Financial Analysts Societies Convention at the Palmer House.

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

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

Sept. 23-25, 1954 (Minneapolis, Minn.)
Board of Governors of Association of Stock Exchange Firms meeting.

Nov. 28-Dec. 3, 1954 (Hollywood, Fla.)
Investment Bankers Association Convention at Hollywood Beach Hotel.

The Construction Outlook

By THOMAS S. HOLDEN*

Vice Chairman, F. W. Dodge Corporation, New York City

Though predicting a moderate reduction of construction volume in 1954, Mr. Holden estimates a slight gain in non-resident building. Foresees a 10% decline in residential construction in 1954, but only a 5% recession in total physical volume of building, with a net dollar decrease for building and engineering contracts of 3%.

It is difficult to see how an economy that is so soundly based and that is growing so rapidly as ours can suffer any more than a temporary setback in 1954. The U. S. economy is currently gaining new home-market customers at the rate of 51,000 a week.

Thomas S. Holden

Basic expansion factor is population growth. Since the end of World War II there have been 30,000,000 babies born and the net population gain has been 21,000,000 persons. The newcomers have not only been fed, clothed and housed, but along with all those who were alive before V-J Day, have enjoyed higher and higher standards of consumption each year. During most of 1953 production was at levels above the peaks of the war period.

Population growth always has a direct and powerful influence on construction demand. Although some 8,200,000 new non-farm dwelling units were built in the past eight years, there seems to be a continuing demand for 1,000,000 to 1,100,000 new housing starts per year. Increasing size of average families and increasing prosperity have already resulted in demands for larger housing units and for dwellings of higher quality.

Population increase gradually creates insistent demands for enlarged and improved community facilities. A backlog of school building needs existed at the end of the war; rapidly increasing school-age population has augmented the demand. An unprecedented school-building boom has been going on ever since 1948, but record-breaking building of new schools is not even keeping pace with the ever-increasing demand, which is likely to grow much larger between now and 1960. Other community facilities (such as water supply, electric utilities, hospitals, churches, recreation centers) will be needed in increasing numbers. A few months ago it was announced that the electric utilities industry plans to double its present capacity within ten years.

Commercial building, freed from Korean war restrictions in early 1953, moved ahead with a 50% volume increase last year and is likely to increase further in 1954. Office buildings, large-scale commercial developments in central urban areas and suburban shopping centers are in great demand.

Since World War II some 40,000,000 motor vehicles have been produced in this country with a net increase in registrations of more than 22,000,000 vehicles. The backlog of highway needs and need for city street improvements and garage and parking facilities runs into many billions of dollars.

Population Growth

With population scheduled to pass the 175,000,000 mark in 1960, if not sooner, there are likely to develop backlogs of demand for greatly increased production facilities both for durable and non-durable goods. Productive enterprise in the United States has ahead of it the job of maintaining an adequate defense establishment and at the same time providing an ever-improving standard of living for its growing population. Since 1940 the American economy has been doing exactly that, and it is reasonable to expect that it will continue to do so.

The electric utilities industry is not the only one which plans expansion. The chemical industry expects to increase its present capacity by 75% in the next ten years. The country's largest industrial corporation, General Motors, recently announced it would increase its capacity by 20% in the next two years.

In the year just closed the total output of goods and services was at an all-time high, even though automotive production was at less than peak levels. In 1953 dollar volume of construction was at an all-time high, although residential building activity was considerably below the 1950 peak. Also in 1953 there was a cease-fire in Korea and inflation was under full control. The promise of tax reductions in 1954 and the possibility of more tax reductions later are strong stimuli to private investment.

There are, in spite of the generally favorable factors, some problems of farm surpluses and some inventory problems in industry. There are, as always in an election year, political uncertainties. There has been a rather surprising lack of business confidence among many people. There is a necessity for business and industry to meet a new era of competition after an extended period of easy selling.

1954 Construction Outlook

For these reasons F. W. Dodge Corporation has estimated for 1954 construction volume a moderate reduction from the records made in 1953. For physical volume of non-residential building (new floor space in square feet to be contracted for) an over-all 1% increase has been estimated. Gains over last year in commercial building, educational building and social and recreational projects are expected to offset by a small margin expected moderate declines in manufacturing buildings, hospitals and institutions, public and religious buildings. A 10% decline from 1953 in residential building volume is estimated. The result of these trends, if realized, would be a net decline of 5% in physical volume of building. Dollar volumes of heavy engineering contracts are expected to increase by 7%. The net dollar decrease for total building and engineering contracts would be 3%. It seems quite possible that these very conservative estimates may be bettered by the year's performance.

*A paper presented by Mr. Holden at the Third Eastern Regional Conference of the New York Society of Security Analysts, Inc., New York City, Jan. 28, 1954.

Thos. Gates, Jr. New Under-Sec. of Navy

PHILADELPHIA, Pa.—The investment banking firm of Drexel & Co. announced that Thomas S. Gates, Jr., having been appointed Under Secretary of the Navy, has withdrawn as a general partner in the firm and has become a limited partner, effective Feb. 1, 1954.

Arizona Banker Optimistic on 1954

Hugh C. Gruwell, President of the First National Bank of Arizona, says although economic activity will be at slightly lower level than in 1953, the present year "still promises to be one of our better business years." Reveals details of bank's expansion program, including plans for a new Head Office bldg.

While 1953 will probably go down as the high point in the economic life of our country to date, it is evident that certain adjustments and trends were already under way during the latter part of the year, according to Hugh C. Gruwell, President of First National Bank of Arizona, Phoenix, Ariz. These downward adjustments will undoubtedly continue during much of 1954, he added, "though even among economists considerable difference of opinion exists as to the degree of such adjustments."

Hugh C. Gruwell

Continuing, Mr. Gruwell asserted: "In an effort to achieve progress toward a balanced national budget, orders for defense material are being reduced. Some increase is being felt in unemployment, and because of less overtime aggregate wages probably will be somewhat less. The growth in consumer credit financing is slowing down, and this factor coupled with decreases in farm income are resulting in some curtailment of spending.

"However, on the other side of the picture, promised cuts in Federal taxes will free money for the satisfaction of personal wants and needs. A buyers' market invariably stimulates competition in the manufacturing and distributing fields which ultimately results in lower prices and a general decrease in the cost of living. The demand for new homes promises to continue high, even though at slightly lower levels than last year, and altogether 1954, even though reflecting somewhat lower attainments than the year just past, still promises to be one of our better business years.

"Insofar as our bank is concerned, the elimination of the excess profits tax will place us in a much better earning position. Our expanding program and the promise of new and adequate Head Office quarters by 1955 should add additional impetus to our progress. We have great faith in Arizona, and perhaps the best evidence of that faith is the strong increase of our capital structure last year and the very substantial investments for adequate quarters to which we stand committed.

"Of special emphasis, it seems to me, is our decision to proceed with the building of a new Head Office structure in Phoenix. It is pictured on the cover of this year's Annual Report. Our present building has served us well but with the growth of Arizona and Phoenix, our bank too has grown to a point where the present building is inadequate for our needs and a new one was obligatory.

"This bank acquired some four years ago in Phoenix the square block of ground on North Central Avenue bounded by Polk Street on the south, Taylor Street to the north, and First Street to the east. At the time it was anticipated that a new combined banking Head Office and office building would be constructed in the near future. Shortly after the Korean situation developed, restrictions were placed on critical materials and before detailed building plans could be completed it became impossible to proceed.

"With the lifting of restrictions an architect was commissioned to proceed with the design of a suitable building and, after the usual preliminaries, plans and specifications have now gone forward to a select list of experienced contractors. Bids are to be opened Feb. 10, 1954, and it is contemplated that construction will be undertaken immediately thereafter.

"In January, we placed in operation a curb teller located on Washington Street just east of Central Avenue to serve customers of our first Phoenix office. This device is termed a 'Snorkel' and is popular in many other cities. It is the first in Phoenix. It enables customers to transact business from their cars at the curb. Through a system of mirrors and an endless belt direct contact is made with a teller located in a compartment under the sidewalk and immediately beneath the curb device. You may enjoy examining this novel and effective arrangement designed to speed up teller service for our customers.

"Obviously we have strong belief in the future of our state and city and of the nation in general. We do not subscribe to the feeling that exists in some quarters that the future carries many hazards more than we have experienced in the past few years. We are hopeful the managers of industrial businesses and others will quickly learn how more profitably to sell more goods in a given time, for it is in this area we believe the greatest progress may be made."

Texas IBA Group to Hold Meeting in May

DALLAS, Tex. — The Texas Group of the Investment Bankers Association will hold their annual meeting May 9, 10 and 11 in Dallas.

Atomic Power—A Realistic Appraisal

By PHILIP SPORN*
President, American Gas & Electric Company

Executive of leading utilities organization, calling attention to status of electric industry in U. S., finds atomic power may be used as substitute fuel in driving electric generators. Says, however, "it is not just around the corner," and that very hard, very expensive, time-consuming work remains to be done before commercial atomic power can be a practical reality. Holds atomic power must compete in cost with present power resource. Foresees bewildering technical problems in application of atomic power to commercial uses.

Since the fateful day in August, 1945, when the atom first burst on the world's consciousness with the bomb on Hiroshima, the United States has taken enormous strides in the development of the atom. Up to now, most of that development has had for its object the strengthening of our defenses. Certainly that has been the principal purpose of the close to $11 billion appropriated by the Congress in the last eight years since the passing out of the Manhattan Project under which the wartime atomic development was carried out. That continues to be of paramount importance. Our hope here is that out of the strength thus created for ourselves and for the other free nations of the world, it will be possible to eventually resolve the mounting pressures—ideological, political, economic—without resort to the horrors of an atom war.


Philip Sporn

So we continue to hope that the atom will justify the sweat and toil that have been invested in it by leading to useful and significant peacetime applications for the benefit of our own country and of the world.

A number of events indicate our recent growing awareness of the importance of this phase of our atomic activities. Last October, the Atomic Energy Commission announced that it was embarking on the building of a civilian power reactor. In so doing, the Commission stated that this was to show the world that "America's eyes are still on the peaceful future." Then in December, President Eisenhower, speaking before the General Assembly of the United Nations, proposed a world-wide pool of fissionable material for peacetime development of atomic power, and invited Russia to join.

It is but natural, therefore, that a great many people in this country, and even more in other countries, should conclude that the day of the peacetime use of the atom is drawing near and particularly that cheap and plentiful atomic power is coming at an early date. Because the actual prospects are somewhat more obscure than these conclusions, I propose to try to make a realistic appraisal of the outlook for atomic power, particularly in this country.

The beneficent peacetime use of the atom shows favorable prospects in many fields — in food processing, in controls, in medicine, in chemical synthesis, to list but a few. When we turn, however, from a consideration of the role of the atom in defense to that of peacetime use, our major attention is likely to be directed primarily to nuclear energy as a new source of power. In pursuance of that interest, it is natural and healthy to project our thoughts and our hopes into a future when this source of energy will have been so developed that it can take its place beside, and perhaps even be more economical than, the conventional forms; that is, those based on water power or on ordinary fuels—gas, oil, and coal.

The probability of such a development is certain to excite the imagination of the people of this country with its constantly expanding economy — an economy that, with less than 6.5% of the world's population, already uses more than two-fifths of the world's electric energy. Any development that can assure the availability of virtually unlimited amounts of energy and which would promise a more economical use of it is of vital interest to every one.

Yet if we are to understand the significance of atomic power, we must try to evaluate the prospects in practical terms. We must try to measure these prospects on some quantitative basis. If we are to answer the question of just how will the United States benefit from atomic energy and its possible development in the near future, we must approach the question from the standpoint of first observing how this country has fared in the development of existing power resources and what we may fairly look forward to in this respect apart from atomic energy.

Electric vs. Atomic Power

The United States has been in the forefront of electric power development for a long period. Thanks to the genius of one of our great pioneers, Thomas Edison, electric power was born as an industry in this country nearly 75 years ago. One of the hazards of leadership is the tendency to grow complacent, to let younger, more vigorous competitors pull ahead while the original leader coasts on his earlier successes. We are fortunate in that no such complacency has developed in relation to electric power here. Evidence of our enterprise in this respect is apparent from many sources and nowhere better than from an examination of the world-wide expansion in electric power production that has taken place in the period 1940-1952. Canada's production expanded 106%, France's 114%, that of the United Kingdom 117%, and that of Soviet Russia — with all its series of five-year plans—150%. In the same interval, the United State increased its power production 180%.

Comparison of the figures of per capita energy production yields even more striking results. All the following data are expressed in round numbers. In 1952 the per capita energy produced in the United States as a whole was 2,950 kwh., higher than that for any other country except Canada and Norway. If you examine the corresponding figures for other highly industrialized countries, you find France with 950, West Germany 1,150, Japan 500, United Kingdom 1,450, Russia 600. The figures for the two most populous Asiatic countries are interesting: China 4, India 18.

The source of this electric energy used in the United States is also significant. While water power has played a significant role in the history of electric power development in this coun-

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*An address by Mr. Sporn before the National Credit Conference of the American Bankers Association, Chicago, Ill., Jan. 26, 1954.

From Washington Ahead of the News

By CARLISLE BARGERON

George F. Meany, President of the American Federation of Labor, and Walter Reuther, President of the CIO, seem to be vying with one another in finding fault with the Eisenhower Administration. You get the impression, in fact, that it is Mr. Meany's ambition to be looked upon as just as vigorous as his rival labor leader. But two other highly controversial labor leaders are basking in such social sunshine and prestige as they have never before enjoyed. Instead of continually sniping at the President, they are occasional callers at the White House, luncheon guests, dinner guests and whatnot. They have been accepted in the Washington salons. They have gone in for aperitifs and the bon mots which are such a part of the life of what is affectionately, sometimes derisively, called the Nation's Capital.


Carlisle Bargeron

For Mr. Dave Beck it is not such a climb. When he used to hold forth on the West Coast his offices were furnished with the taste and luxury of an outstanding industrialist. And, indeed, it was an industrialist that Mr. Beck considered himself to be. There was never anything radical about Mr. Beck. Oh, maybe in a strike or a labor dispute trucks would be wrecked and heads bashed in. But they were always far removed from him. The employer could always get a hearing and find Mr. Beck a very reasonable, businesslike man to deal with.

Mr. Beck now undoubtedly has the blessing of the Administration in his effort to take over the New York longshoremen. The Administration would like for the longshoremen to be handled in Mr. Beck's orderly, businesslike way. It may be, though, that he will need more than the Administration's blessing, inasmuch as he is up against John L. Lewis' purse.

And before the advent of the present Administration Mr. Petrillo was coming to be accepted in high political circles. I remember very well the touching send-off the Democratic convention at Chicago gave to the Veep, Alben Barkley. The music was kept up for more than 30 minutes while the old man stood there on the platform and took his bows and the well-wishes of the crowd that filed by to shake his hands. In the throng appeared Jimmy Petrillo and Mr. Petrillo's press agent butted in on radio and television to point to him and announce "It's Jimmy Petrillo." Of the several hundred who filed by only Jimmy was announced.

Then subsequently at a rally for Mr. Eisenhower there was Jimmy in the handshaking line and once again he of all the hundreds was identified. Came subsequently, Mr. Eisenhower's election and his inauguration. On the Inaugural Ball programs for which the customers paid $12.50 each was the acknowledgment that the ball was being conducted through the courtesy of Mr. Petrillo.

So you see him now, run into him, in Washington's good graces, pointed out at cocktail parties, in the more fashionable cocktail lounges as one of the distinguished personages. He loves it, too.

I'll say this much—they are a welcome substitute for Sidney Hillman who used to boss the roost down here. It wasn't a question of his just going to the White House on a social visit. Sidney was in on matters of state. In many instances he had the veto power. Remember the "Clear it with Sidney" orders which Roosevelt issued in 1944 in the matter of his Vice-Presidential running mate. Sidney was never much of a social lion. He could hardly be sold in the salons but in the party caucuses and in the military pow-wows Sidney was there and his word was emphatic and quite often binding.

Neither Beck nor Petrillo seems to have reached any such estate as this. They are more like the hard-boiled businessman to whom the business of making money has become boring and they will do anything to get to Washington in an official position and a protocol place at the dinner table. The association with foreign diplomats and Senators is fascinating to them, to say nothing of an occasional call or a mission from the President. This is what appeals to Beck and Petrillo. It's a sort of a washing off of their past.

Grigsby & Brinker Are Appointed by Nuveen

CHICAGO, Ill. — John Nuveen, Chairman of the board of John Nuveen & Co., 135 South La Salle Street, announced the appointment of William A. Grigsby and Robert R. Brinker as wholesale representatives, and the retirement of Frederick B Carpenter, Vice-President and Manager of the firm's Wholesale Department. Mr. Grigsby, with the firm's Chicago office since 1934, and Mr. Brinker, with the firm in Chicago since 1939, will continue to be headquartered in Chicago. Mr. Carpenter has been associated with John Nuveen & Co. in Chicago since 1941, and previously had been Vice-President of Barr Brothers & Co., New York.


Wm. A. Grigsby


R. R. Brinker

Cruttenden & Co. to Admit D. R. Bonniwell

CHICAGO, Ill.—Donald R. Bonniwell will be admitted to limited partnership in Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges, of Feb. 16. In the past Mr. Bonniwell was associated with Kneeland & Co., for many years.

Atomic Developments Recession Barrier!

Leopold D. Silberstein, Chairman of Pennsylvania Coal and Coke Corporation, over facilities of the Voice of America, says most important and least known guarantor of United States economy is the atomic age.

Leopold D. Silberstein, Chairman of the Board of Pennsylvania Coal & Coke Corporation, predicted on Feb. 3 that the atomic age would act as a barrier to an American recession and result in doubling U. S. gross national production in the next 15 years.

L. D. Silberstein

Mr. Silberstein made his prediction in a speech broadcast over the facilities of the Voice of America on the invitation of the State Department. Mr. Silberstein has just returned from a trip through Western Europe during which he was disturbed by the pessimism of European businessmen about business prospects in the United States.

In his broadcast, Mr. Silberstein forecast five new developments in the atomic age which would stimulate the growth of U. S. economy.

"The most important and least known guarantor of our economy is the atomic age," Mr. Silberstein said. "The atom promises to double the U. S. gross national product in the next 15 years.

"During the past ten years the Government of the United States has poured approximately $13 billion into atomic energy and atomic experimentation. During 1954 the fruits of this effort will begin to be felt by American industry.

"I predict that the entire food industry of the United States will soon be revolutionized by atomic developments. Some of the developments already in sight, thanks to the atomic age, include the following:

"(1) Methods for increasing plant growth and yield per acre which exceed the greatest previous dreams of agricultural scientists.

"(2) A revolution in food processing and food shipping which will make it possible to preserve food and prevent decay on an increased scale. Atomic radiation of food will soon permit a loaf of bread to stay a year without deterioration, according to the scientists. It will be possible to preserve meats without refrigeration for months and possibly years, while improving the taste and quality.

"(3) We are on the eve in the United States of a revolution in power which will permit lower cost production of metals and a better life for the peoples of the free world.

"(4) Forthcoming peacetime use of atomic energy will permit a new revolution in chemicals and further developments of such natural resources as coal and oil to provide a whole new range of exciting new products from industry for the service of mankind.

"(5) Atomic medicine is already fighting effectively against certain types of cancer and blood diseases and opening scores of new secrets of man's health to science promising an even longer life to mankind."

"Thanks to the leadership of President Eisenhower," Mr. Silberstein asserted, "these peacetime uses of the atomic age will soon be made available on an increased scale to our neighbors and allies of the free world. The opening of this atomic revolutionary age will give America and the Western world an economic lift that surpasses the vision of most mankind, and the wonderful part is that some of it is here today. It's not just a dream of tomorrow.

"The atomic revolution will cause readjustment in industry just as atomic weapons are now causing readjustment in the composition of our military forces. The atom today is already big business. It is providing New York and opening new frontiers for utilities, chemical companies, shipbuilding companies, drug companies and food companies.

"Armed for the future such as this. America must go forward."

Winter Markdowns

By ROGER W. BABSON

Commenting on the current "Goods Galore" situation, Mr. Babson points out sales floors and store counters this winter are loaded with bargains. Advises merchants not to be afraid to cut prices for a short period in order to win customers, and don't over-stock in anything except parking space.

Day by day, in buying power, your dollar is getting to be worth more. You have only to glance at the advertisements in your daily paper to confirm this cheering fact. Merchants all over the country are offering some of the best winter markdowns that I have seen in a long time.

Roger W. Babson

Thanks to this country's tremendous productive capacity, which has been greatly increased in recent years, all kinds of consumer goods have been coming on the market in almost unprecedented volume. The late Korean War did little to dampen the flow. As a result, stores everywhere have bargains in good merchandise. Some of it has not been moving too well, at least not fast enough to suit the store owners. Perhaps prices have been out of line with the ideas of prospective consumers. In a number of cases, this undoubtedly has been true. But now the picture has changed.

Semi-annual stocktaking clearance sales are under way from one end of the land to the other. Sales floors and store counters this winter are loaded with bargains that many can hardly afford to ignore. Merchandisers are more than anxious to reduce stocks, and they well know that the best way to do it is to cut prices, even if profits are pared to the bone. In some instances, they are doing exactly that. Merchants like "turnover" much more than "holdover." It costs money to carry goods from one year to another, or from one season to another.

Fur Lover's Paradise

For those of the fair sex whose fancy turns to furs, now is the time to indulge it. Furs definitely are on the bargain counter. In some cases, they can be bought at half their former price, although I do not guarantee the quality. The fur market was hard hit by abnormally warm weather earlier in the season. Inventories have piled up and competition has become extremely severe. To point up the situation, I might mention that one prominent Boston concern not too long ago advertised the largest fur stock at one price—drastically reduced—ever assembled anywhere under one roof.

With spring just around the corner, clothing stores in many localities are cutting prices on men's wool suits. Some are being offered at very attractive levels. Winter overcoats and wool bathrobes also often are marked down sharply at this time of the year. If you are in need of any of these articles now, or will be next winter, don't delay in picking them up. Shop aggressively for the best buys. Also watch the store ads in your paper.

Household Goods and Appliances

A number of household goods and appliances are available now at bargain prices. The field is broad, but the goods are there and rightly priced if you shop around. Just the other day, for instance, I saw a new combination food freezer-refrigerator offered at a saving of 20% under a month ago. But buy these electrical appliances from reliable stores and be sure to get the standard guarantee. Now is the time to buy from a reliable dealer a used car at a low price. These cars will sell for more money in the spring and early summer.

This is the time of year also when many types of soft goods can be purchased economically. These include sheets, pillow cases, and towels. February traditionally is a month when household furniture is offered at special prices; this February should not be an exception. I also must mention Oriental rugs, prices of which have been cut sharply. I have seen some of these items recently advertised as selling at half former prices.

A Word to Merchants: Perhaps bring to your city the stock of some out-of-town firm that is liquidating. Be not afraid to cut your own prices for a short period. You will win customers by it in the end. Otherwise, don't today overstock in anything except in "parking space," which now is the best buy. I forecast you can purchase parking space for customers cheaper now when the ground is frozen, snow is falling, and business is poor. "Sell Merchandise—Buy Parking Space" should be the 1954 motto.

Wyllie & Thornhill Open New Branch

NORFOLK, Va. — Wyllie and Thornhill have opened a branch office at 618 Royster Building, under the management of John P. Dekker. Mr. Dekker was formerly with Virginia Securities Company and prior thereto with Scott, Horner & Mason, Inc.

Grimm & Co. to Admit A. Cicerale

Grimm & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, on Feb. 11 will admit Andrew R. Cicerale to partnership in the firm. In the past Mr. Cicerale was with R. H. Johnson & Co. for many years.

Economists Foresee Continued Mild Adjustment

In quarterly digest, "Business in Brief," Economic Research Department of Chase National Bank, attributes most of current decline in business to orderly working off of inventories.

Major trends in the nation's economy indicate a continued mild adjustment which business will take in stride, "Business In Brief," the Chase National Bank's quarterly digest, prepared by the bank's Research Department, forecasts.

"The economy is coping vigorously with the current mild business adjustment," according to the Chase study. "Businessmen are rising to the sales challenge posed by stiffening competition. Consumer buying is still active. And government policies are designed to speed the shift to a soundly-based prosperity."

The bank's analysis attributes most of the current decline to the orderly working off of inventories which began in the fourth quarter of last year at an estimated $3-$4 billion annual rate.

Capital investment during 1954 may drop from 4% to 6%, "Business in Brief" points out, but the cut in corporate income taxes should prevent nay greater decrease since more funds will be available to help sustain business investment.

Consumer incomes, also profiting from the cut in taxes, should add about $3 billion to posttax income with additional social security taxes reducing this figure by about $600 million.

The Chase Bank's review cites these trends as reasons for being optimistic on the business outlook for 1954: the amazing postwar population rise, the phenomenal growth of income, the need for more construction to match population and income, business investment in new equipment, and the assistance of government in helping to combat a business downturn.

"These developments," the report concludes, "underline the increased resiliency of the U. S. economy. They help explain the growing confidence that business can weather the current readjustment period in fine fettle and move on into a new period of economic expansion."

Joins Cruttenden Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Mrs. Marion B. Cronin has been added to the staff of Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Gold Price and Gold Standard

By DONALD H. McLAUGHLIN
President, Homestake Mining Company

Mr. McLaughlin traces situation in gold mining as affected by the unsound currency policies which began with war in 1914. Ascribes much of the currency inflation to abandonment of gold standard, and says gold mining industry has suffered as a consequence. Holds restoration of sound money, backed by gold, will be effective only if depreciated currencies, including the dollar, are adjusted to the persistent higher value of gold. Advocates full convertible currency at a ratio that would tend to hold present level of domestic prices—and fixes $70 per ounce as proper gold price. Ascribes recent decline in gold price to temporary shift in balance of payments.

The status of gold as the international monetary base necessarily determines the welfare of the portion of the mining industry that produces the precious metal.

D. H. McLaughlin

Under the gold standard, as it functioned prior to 1914, all major currencies were freely convertible into gold. The price expressed in them was fixed and their relation to each other varied within small limits determined by the cost of shipping gold to settle balances in international trade. The miners could confidently expect to receive gold coin for their metal, if they desired, or paper currency freely convertible into gold. Their return in monetary units for the metal they produced was assured. Their profits, therefore, were not subject to the uncertainties of a fluctuating market price of their product. They were determined by grade and quantity of ore treated and by costs of production. Consequently, in times of general prosperity, with labor scarce and with wages as well as prices of all supplies at high levels, profits declined; whereas in times of depression, when opposite conditions prevailed, profits rose.

With any one permitted to redeem his paper dollars in gold, extreme variations in the value of money were restrained and the investor in gold mining properties was far more concerned with the effect of technical details than with swings in the business cycle.

Disturbed Currency Situation

This well-ordered monetary system ended in 1914, when the succession of disaster started that has so profoundly disturbed the economy of the world. To finance wars and the extreme expenditures of the uneasy peace, every major country of the world has had to resort to depreciation of its currency. The prevailing policies have been the equivalent of severe capital levies imposed with cruel selectivity upon those thrifty citizens who had savings represented by insurance, bonds, pensions or other paper promises. The magnitude of the levy under the guise of inflation has varied from complete repudiation of all obligations expressed in the old units to the three- to five-fold depreciation we have suffered in the United States. Obviously, convertibility into gold at the old ratios could not be maintained, as the value of currencies was forced down. The effort made by England in the early Twenties to restore the pound sterling to its 1914 status by reestablishing convertibility into gold at the old ratio was an honest but unrealistic attempt to meet the nation's full obligations to its creditors; but it merely succeeded in aggravating the depression of the Thirties.

The United States, the least damaged by the first World War, maintained the dollar freely convertible into gold at $20.67 per ounce until its overvalued relation to other currencies became a most seriously disturbing factor in our world trade. The increase in price of gold in 1934 was in fact overdue and too late to be as effective as it would have been at an earlier date in restraining the great depression. Unfortunately, the increase in price of gold to $35 per ounce was not accompanied by full restoration of convertibility. Freedom to own gold even at the new ratio was denied our citizens. Through this move, however, our export market received support when it was critically needed, and we accepted and received gold for the balances due us, which was a marked improvement on the practices that had prevailed of accepting paper promises for payment or the subsequent policy of maintaining trade through outright gifts.

Under this limited gold standard, domestic convertibility was denied to our citizens, and deficits were met through continued monetization of debt, with resulting progressive depreciation of the dollar. This condition which is the worst possible one for the gold mining industry unfortunately still prevails.

Inflation under this policy is made too easy for politicians to resist and for bankers to condone; and the citizen is denied the protection that ownership of gold alone can afford.

Sound Money Restoration—Remedy Against Further Inflation

Restoration of sound money, backed by gold, is one of the essential steps in the correction of this dangerous and threatening situation. But, it will be effective only if depreciated currencies including the dollar are adjusted to the persistent value of gold. Reestablishment of convertibility at the prewar ratio—the $35 per ounce price—would result in an overvalued dollar, whose effect on our export trade would certainly be most drastic, once the props derived from grants and foreign aid of one sort or another have been removed, as they must be before long. The consequences of the resulting deflation and depression could not be tolerated, politically or socially; and if the gold standard were restored on this basis, we would undoubtedly again be forced off it, with the prospect of continued inflation with still less hope of eventually controlling it.

A deflation and depression, of course, would be beneficial to the gold miners, even with gold at $35 per ounce, for wages and costs would be down and many good miners would be available from those laid off in the base metal camps. We are hardly shortsighted enough, however, to favor such procedures that would be so harmful to the economy, simply for our temporary benefit.

The objective we should seek in our efforts to obtain sound money and a stable economy is restoration of full convertibility of our currency into gold at a ratio that would tend to hold prices at their present level on the domestic market and that in itself would be neither inflationary nor deflationary. Various procedures might be devised for estimating what the price of gold should be for the most beneficial effects on the economy as a whole. I share the views of those economists who hold that it would have to be higher than $35 per ounce.

Importance of Gold Mining Industry

The welfare of the gold mining industry, small as it is domestically, is a factor of importance on the international scale, for the annual increment of gold from the mines of the world is a critical element in the maintainance of monetary stability under the gold standard. With the price held at $35 per ounce and costs necessarily met in depreciating currencies as is now the case, gold production has declined far below the desired level. With profits comparable to those in 1940 or 1941, an output in ounces could be expected that would probably augment the world's monetary stocks at the desired rate. To achieve this, a price of $70 per ounce would seem called for, to offset the existing inflation in costs expressed in paper currencies that has occurred since this date. Other factors, obviously, need to be considered in arriving at a wise decision as to price, but as far as maintainance of gold production is a consideration, a price close to this level is indicated.

To many—perhaps to most—such comments at this time will seem to be simply the wishful thinking of another self-serving gold miner. I am, however, most serious in urging that the point of view I have expressed be given impartial consideration, not for the benefit of the relatively small domestic gold mining industry, but for the welfare of the economy as a whole.

At present, the power of the dollar has forced gold on the more or less free markets abroad to decline to the price fixed by the United States Government. If it can succeed in doing this indefinitely—i.e., making gold accompany the depreciation of a paper currency brought about by two decades of deficits and monetization of debt—one might well question the importance of gold itself as a monetary base. It is more likely, however, that the effect of our present policies will be to overvalue the dollar in international trade and thereby to restrict to a most serious degree our exports, when the artificial support from foreign aid ceases and when our high wages and high-cost economy (as measured in over-valued dollars) will put us at a severe disadvantage in the increasingly competitive world markets. Without convertibility at a higher price of gold, I fear our exports will be most seriously curtailed before very long, with most painful effects on our domestic prosperity.

The loss of over one billion dollars in gold during the past year and the immense buildup of foreign claims in dollars and gold in spite of lavish financial grants made by the United States reveal all too clearly the dangers into which our present monetary policies as well as our strange concepts of international trade and aid are leading us. Half of our effective stock of gold is gone already, as is apparent when the huge outstanding foreign balances are taken into account. How long can it be continued before the depreciated dollar will have to be brought into a more realistic relation to gold?

Why Gold Price Declined Recently

The decline in prices paid for gold on the world's nonmonetary markets to close to $35 per ounce seems to me to be merely the result of the shift in balance of payments that has caused gold to

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Mortgage Credit in 1954

By JOHN W. KRESS*
President, Savings and Mortgage Division
American Bankers Association
Vice-President, the Howard Savings Institution, Newark, N. J.

Explaining the mortgage "credit squeeze" in early 1953 as due to possibility of overbuilt areas, along with saturation of the secondary mortgage market, Mr. Kress finds, despite all this, 1953 was a great mortgage year. Sees need, however, of careful mortgage lending practices, due to heavy demand for mortgage loans in current year and to the higher interest yield on mortgage loans. Looks for less government lending and more private financing of housing projects.

It makes me very happy to have the opportunity of discussing some aspects of our national welfare which are of considerable importance to you and to me. So much of our business life is devoted to statistics that I intend to touch upon the high spots only, in talking of the huge mortgage credit extended throughout the country in 1953.

John W. Kress

The year 1953 was another phenomenal one in the field of housing and mortgage credit. The volume of new construction and the large scale financing operations which began after World War II were again carried to very high levels. In 1953 the number of mortgages made will total more than 3 million, representing a volume of over $18 billion. This sum exceeds that of 1952, which itself represented an all-time high record. Big business, if I have ever heard the term properly employed. It involves the extension of a line of personal credit to a tremendous number of individuals and is, perhaps, the great sales volume of any industry in the country. Permit me also to make some comparison with former years. The number of new housing starts during the eight-year period following Jan. 1, 1946, is equal to the total of all housing starts made in the 20 years prior to 1946.

These minor statistics are of major importance. What a paradox it is to report this great amount of new business to you, as an indication of the extent to which investors throughout the country have cooperated in extending the type of credit which made it possible, and at the same time to report the great concern and criticism which was directed against these same investors during the early months of 1953 for creating a "credit squeeze" in the industry. It looks to me as if quite a few of our mortgage lenders approached the problem as though they were back in the "horse and buggy days."

The So-Called "Credit Squeeze"

As you undoubtedly well know, there has been a continuous and plentiful supply of mortgage credit. The reason for the apparent contraction of credit was the strong possibility that there were perhaps many overbuilt areas, that the secondary mortgage market was saturated by the discount prices on V.A. loans, and that regulated interest rates did not afford the desired flexibility to meet the normal requirements of supply and demand.

These were some of the causes for the so-called "credit squeeze"; but to appreciate the situation fully, it is necessary to understand the greatly changed pattern of mortgage lending procedures which have developed in the post-war years. They relate particularly to "forward commitments," and the fact that large scale new building projects now depend so heavily for their financial success on short term construction money. This, in turn, is obtained from lenders only after "take-out" commitments for long term permanent loans are assured. The so-called "credit squeeze" was occasioned by seeking these advance commitments for long term home financing, on homes to be built at some uncertain future time, under changed economic conditions that might then exist, and at interest rates fixed today, which might be out of line with rates prevailing when completion of the loan was required. Permanent loan "take-outs" under such conditions were understandably held in abeyance during part of 1953 until a more solid base for money rates was assured, and until some adjustment from the wholesale "take-out" plan, to a more realistic basis designed for present-day needs, was established.

Objections to the type of pressure propaganda seeking to influence a flow of credit into building proposals under unsound economic conditions have been voiced by people within the real estate industry itself. A prominent realtor in the fast-growing Westchester County, Metropolitan New York area, expressed serious objection to real estate selling methods, based upon high-pressure tactics which are used to market new homes today, on the claims of mortgage shortages. It has been his experience, shared by many reputable builders and contractors, that where the dwellings are soundly constructed and the credit of the borrower can be justified, lending institutions are ready and willing to finance with reasonable loans. This is an accurate and forceful statement and should be the basic philosophy of every one who has any regard for well secured mortgages and for a stable and prosperous national economy.

In today's markets, it is to easy to lose sight of the constant need for the lender to maintain a sound credit structure for his loans. He should not close his eyes to poor construction, nor make loans which are excessive in relation to value, just because originating fees and discounts may be passed on to the buyer.

By careful lending practices, fewer poorly constructed homes would be built, fewer losses would occur in the future, and there would be a much larger group of satisfied home owners.

Not only is there an ample supply of mortgage credit presently available, but there are also available long-term commitments in proper proportion to assure the financing of sound new building projects in the future.

Prospects for 1954

In some areas, there continues to be a very extensive backlog of demand for new homes and, consequently, constant pressure to build them. It reflects the needs of a mobile and fast-growing population and the spread of suburban communities which have

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*An address by Mr. Kress before the National Credit Conference of the American Bankers Association, Chicago, Ill., Jan. 26, 1954.

Purchasing Agents Extremely Cautious

National Association of Purchasing Agents report a spread of mild price weakness during January, with selling efforts being strongly pushed. Majority hold, however, a leveling off may come within first quarter of year, followed by an upward trend.

A composite opinion of purchasing agents who comprise the National Association of Purchasing Agents' Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Company, New Haven, Conn., reveals that January industrial business started very slowly and picked up a little momentum towards the end of the month. Production and orders both declined, but at a slower pace than in December. Price weakness continued to spread—but with no sharp general declines. Selling efforts are being strongly pushed. The reduction of unworked material inventories continued. Employment was lower, though cutbacks have generally not been deep. Buying policy is trending into the short side of the "hand-to-mouth to 60-day" columns. Credit conditions are generally reported good, but are being closely watched.

Robert C. Swanton

Purchasing executives, though extremely cautious, are not pessimistic; they find the transition into a buyers' market so far has been orderly. The majority believes that a leveling off may come this quarter, with a possible upward trend.

Commodity Prices

The price structure of industrial purchased materials shows further weakness in January — nothing drastic—and there is no evidence of liquidation or panic selling. Apparently, the majority of price adjustments was the result of sellers' appraisal of the market testing which has been going on the past few months, the changes in supply and demand, and the keen competition for volume business. It is believed those conditions will continue.

Inventories

Unworked material inventories continued the considerable decline reported in the December Survey. Balancing stocks with lower production schedules is the objective. Price weakness, ready availability, and shorter production lead time of suppliers encourage the cautious inventory policy being generally pursued. Turnover rates for materials purchased are improving — and are reported much faster than a year ago.

Employment

Lower payrolls are reported by 47% of the survey members in January. Over-all, the cutbacks have not been steep. Many report a weeding out of the least efficient and failure to replace the normal quits. The average work-week is probably 40 hours and under, and some multiple shifts are being reduced. The weather has had some effect on employment. Productivity is rising. Skilled help is now reported available in several areas. More applicants for white collar jobs are also reported.

Buying Policy

Buying coverage has moved a little closer to the "hand-to-mouth to 60-days" range. Eighty-four per cent report holding commitments for the principal materials purchased to these limits. The slight trend to the 90-day bracket recorded for December was reversed in January. Lack of confidence in prices, shortened scheduling of orders, and inventory reductions are the principal reasons for these close buying practices.

How to Stimulate Production and Employment

Current issue of "Guaranty Survey" says business does not need new forms of intervention, but, instead, a program for restoration of freedoms and incentives "that spell true liberalism."

In an editorial commenting on demands for political action by the government to maintain prosperity, the February issue of the "Guaranty Survey," publication of the Guaranty Trust Co. of New York, expresses the view that the "positive program" that business needs from government today is one that will restore the freedoms and incentives that spell "true" liberalism, rather than new forms of "intervention." According to the editorial:

"Free markets and business incentives are the essential features of a governmental program to stimulate production and employment. These features exist automatically in a truly free economy. If they are weak now, it is because they have been made so by a type of political action that harks back to the days of mercantilism, the economic system which developed in Europe as feudalism decayed. Mercantilism was characterized by close governmental regulation of industry and trade with a view to promoting nationalistic aims. Prices, wages, occupations, the right to do business—every phase of economic life was subject to control by the authoritarian state —all, of course, in the 'public interest.'

"Mercantilism was superseded by liberalism, the system of free enterprise and free markets, which sought to increase national prosperity by giving each individual the liberty and incentive to increase his own prosperity. Under genuine liberalism the Western world experienced a rise in wealth and welfare never approached before.

"Yet in the last 30 years many nations, including our own, have tended to revert to the once discredited aims and methods of the earlier era. Curiously enough, this reversion has masqueraded under the name of 'liberalism.'

"The 'positive program' that business needs from government today is not a program of new forms of intervention but a program for the restoration of the freedoms and incentives that spell *true* liberalism. Fortunately, our own government is moving in that direction."

Jackson Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Henry A. Donahue has been added to the staff of Jackson & Company, Inc., 31 Milk Street.

With Gibbs & Co.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Alfred J. Albetski is with Gibbs & Co., 507 Main Street.

Multilateral Convertibility Should Be Our Aim

By GEORGE F. BAUER

Vice-Chairman, International Trade Section, New York Board of Trade

Commenting on Randall Report, Mr. Bauer maintains convertibility of currencies through gold standard as proposed in dissenting memorandum by Representatives Reed and Simpson constitutes the crucial requirement for restoring world commerce.

The most vital way to help immediately our foreign trade was stressed not in the Randall Report but in a notation in which Representatives Daniel Reed and Richard M. Simpson recommended "constructive leadership by the United States in urging other nations to return to international gold standards" as a step toward restoration of multilateral convertibility of currencies.

George F. Bauer

Tariffs, outmoded today as obstacles when compared to insidious exchange restrictions, merit less thought than a program to make currencies freely exchangeable in terms of gold for all holders and not solely for foreign central banks.

The most favored nation clause embodied in reciprocal trade agreements now in existence to assure that any tariff concessions accorded to one country automatically apply also to other countries with which agreements had previously been made, loses its significance if obstacles of a monetary character make minor those of customs duties. Without sound convertibility of currencies through the gold standard, to talk about tariff reductions is like considering actions to jump over a smaller wall when access to it is blocked by an insurmountable wall present in unsound monetary conditions.

Stress on bilateral balances of trade rather than on balance of trade of a given country with the rest of the world has followed in the wake of our present irredeemable money policies divorced from gold for individual holders of representative money. Throughout the gold standard era there were unfavorable balances of trade between one country and another country and even another continent of countries without arousing any lament about dollar shortage or dollar gap.

Brazil was often a trade creditor of United States and England a trade debtor of our country. That situation was in no way disturbing under the gold standard because credits due Brazil from United States being convertible into gold for all holders of representative dollars could be shifted and readily used for excess purchases by Brazil in England. Dollars, milreis of Brazil and pound sterling then titles to specific amounts of gold could be readily converted one into the other on basis of their respective gold contents and used in any place in the world where needed.

Problem World-Wide

Our only problem was not to balance exactly the trade of United States with a particular country but rather to see that our total imports from the entire world in form of raw materials, semi and completely manufactured goods and services attained a high enough level to warrant attractive exports to the entire world. Today this world-wide circulation of money is hampered to disadvantage of individual traders by foreign exchange restrictions generally inherent in monies that are not redeemable in gold for all holders.

Much is said about encouraging private investments abroad, yet little about the quality of the money in which they are to be made. Companies with earnings frozen and not transferrable, reinvest them in the particular country in enterprises sometimes distantly related to their proper fields. Such "forced" utilization of money hardly merits the designation of investment. It is difficult to see much investment in new developments if there is doubt about the quality of the money in which they are expressed and if there is apprehension about the purchasing power of the particular money at time an investment is made and at time it is to be repaid. Establishment of gold standard could give assurance on quality of money and thereby stimulate international investments in a sound manner.

Not all countries need to establish the gold standard at once to assure benefits to world trade. Originally the gold standard was established by England; other countries recognizing benefits of this action followed suit shortly thereafter. Action by the United States in making the dollar a title to 1/35th of an ounce of gold for all holders would also serve today as an excellent example which quite a few countries very likely could soon follow.

In the words of Messrs. Reed and Simpson, "Encouragement by the United States in this field, has more likelihood of being effective by other nations than any other form of action which we might take and that the first step in world leadership would be for the United States to return to convertibility in its domestic affairs for which we have more than adequate gold reserves."

Richard F. Abbe With Shearson, Hammill & Co.

Richard F. Abbe

Richard F. Abbe has become associated with Shearson, Hammill & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, in the corporate securities trading division of the institutional department.

With Walter J. Hood Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine — Clyde K. Woods has become affiliated with Walter J. Hood Co., 415 Congress Street.

Independence of the Federal Reserve System

By ALLAN SPROUL*
President, Federal Reserve Bank of New York

In replying to criticisms that Federal Reserve system is losing its independence through Treasury influence or through serving selfish interests of the private banks, Mr. Sproul admits "independence was lost to the inexorable demands of the war," but has since been restored by recent adaptations of a flexible credit policy. Refers to the "accord" with the Treasury in March, 1951, and cites recent record of independence of Federal Reserve policies. Says we must guard against a new erosion of this independence, but contends Federal Reserve policies have been and should be consistent with the overall economic policies of the government. Concludes Reserve System's recent policy has been reasonably successful in maintaining monetary and credit stability.

I hope that you will not hold me too closely to the assigned topic of my talk this evening. I intend to weave in and out around it, but I am not going to try to give you an historical and philosophical dissertation on the independence of central banks. Even if such a task were not beyond my powers of exposition, it would probably be beyond your powers of endurance. The subject is continuously interesting to central bankers, however, and it may be that by relating it to banking discussions and credit policy in recent years and months, I can make it of some interest to you. It is important, I think, that neither frozen attitudes of mind concerning the past independence of central banks, nor misconceptions of the present situation of the Federal Reserve System, be allowed to jeopardize a position which, even though it be confirmed from time to time, is never free from attack. The possibility that there might be a "money power" able and willing to flout the economic policies of elected government, or exposed to the coercion of special private interests, disturbs many men and attracts demagogic assault.

Allan Sproul

When your President asked me to speak tonight, I told him that I thought the bankers of New York State, and of the Second Federal Reserve District, have a special call upon my time and energies. This could be seized upon by those who hold that the Federal Reserve System is banker-dominated, and banker-oriented in its attitudes and actions, but it carries no such implication. Our relations with you are close to be sure, but this is necessary both as a matter of law and as an aid to the proper functioning of our money economy. In the performance of our primary duty of relating the supply of money to the needs of agriculture, commerce, and industry, and of our secondary duties such as supplying coin and currency, collecting checks, and supervising member banks, we necessarily work with and through the private banking system.

Our objective in both areas, however, is to meet a public need. In the first instance it is to provide, to the fullest extent permitted by actions of government and the private economy, over which we do not have control, a money supply which has reasonably stable purchasing power and which will contribute to the steady growth of the economy. In the second instance, it is to promote the improvement of our banking facilities for the benefit of every citizen, whether or not he ever borrows from a bank or makes or withdraws a deposit.

*An address by Mr. Sproul at the Mid-Winter Meeting of the New York State Bankers Association, New York City, Jan. 25, 1954.

Criticism of Federal Reserve

One line of criticism of the Federal Reserve System, which during the past year has made ominous forays into the public prints, is that the Federal Reserve Banks perform all sorts of free services for the commercial banks of the country, while charging the Federal Government for many services performed for it. We are accused of favoring private institutions as against the government and of using funds, which otherwise would revert to the government, to consummate this favoritism. As a consequence it is sometimes suggested that the Federal Reserve System be brought within the budget-making orbit of the Congress, and be subjected to the general accounting procedures of the government, presumably so that these twin "evils" may be curbed or eliminated.

It is a narrow and myopic view, I think, to look upon the services we perform for our member banks as subsidies to the banking business. If there are such subsidies, as distinguished from services that we can and should perform at no cost or low cost, as part of our job of providing efficient monetary arrangements for the nation, they should be eliminated. But the real and overriding purpose of these services, when wisely conceived and economically performed, is the provision of that better banking system, which the original Federal Reserve Act envisaged, and which is a necessary part of the proper functioning of our economy. Banking in this country is a highly regulated public utility. Individual banks are operated for the profit of their stockholders, but the banking system as a whole operates for the benefit of the community. And it is the Federal Reserve System which, nationally and in collaboration with the Comptroller of the Currency and the Federal Deposit Insurance Corporation, draws all of these private units together, and with them and through them tries to see to it that the public is provided with efficient and effective banking facilities, in the form and at the place where these facilities will be most useful. The expenses which we absorb in pursuit of this objective are not subsidies to the private banking system, They represent a service to everyone in the country who depends on the proper functioning of our monetary system: And that means everyone.

Reasonable men and friendly critics are somewhat attracted, nevertheless, by the idea that these expenditures of the Federal Reserve Banks should be brought under the budgetary control of the Congress, and the subsequent review of the General Accounting Office. If there were real abuses to be corrected, this might be one solution, albeit one which would introduce the unfortunate but probably inescapable element of rigidity of "Big Government" and bureaucracy into operations which, both on behalf of the government, as its fiscal agent, and on behalf of the public, through the member banks, require a high degree of flexibility in the allocation and uses of funds. For myself, I do not believe there exists any possibility of abuse which cannot be detected and eliminated under present procedures, or improvements in those procedures. The facts as to the earnings and expenses of the Federal Reserve Banks are readily available. The efficiency of operations of the Federal Reserve Banks is open to the daily observation of all who have dealings with them. Their operations are under the immediate scrutiny of boards of directors performing a public service but, in most cases, used to the compulsions of operating a private business for profit. And the banks are subject to the check and audit of the Board of Governors of the Federal Reserve System at Washington. There is no lack of control of the financial affairs of the Federal Reserve Banks.

On the question of the services which, as fiscal agents, the Federal Reserve Banks perform for the government, and for some of which a charge is made, I am inclined to believe that both the public and the Congress would look with a jaundiced eye on a broad extension of the free list. The net cost to the government, in any case, is a small one, since the charges made for fiscal agency operations prevent erosion of the net earnings of the Federal Reserve Banks, approximately 90% of which are now paid to the Treasury. And there are dangers as well as costs to be considered. The first danger here is that extravagant government departments and bureaus, or economy-minded agencies, depending on which way the wind is blowing, would find this a convenient way to improve their own budgetary position, and to escape some of the controls of the Congressional appropriation procedure. There must be literally hundreds of financial housekeeping jobs, I suppose, which government departments might seek to have performed free of charge by the Federal Reserve Banks, as fiscal agents of the government, if the doors were opened to this sort of thing. The final danger would then be that the Federal Reserve Banks would become swamped with these incidental, mechanical functions to the detriment of the performance of their primary duties as central banks.

The Earnings on Reserve Deposits

It is no help in the resolution of questions such as these, of course, to find that there are many bankers who still think that the Federal Reserve Banks are "making money" out of member bank reserves and who do not realize that, on the contrary, the Reserve Banks have for a long time been creating reserves to provide the basis for present day deposit banking. These bankers are inclined to argue that the Federal Reserve Banks are making large profits out of the use of the reserves deposited with them by their member banks, and that these earnings should be used to provide more "free services" for the member banks, instead of being paid over, in large part, to the Federal Government. Such argument not only gives support to those who see in this matter only a question of division of spoils between private banking institutions and the government, it also indicates a tenacious misunderstanding of how our reserve deposit banking system really works. The reserves originally paid into the Reserve Banks by their member banks were not, of course, earning assets and did not become such by this shift from one vault to another. And over the years these reserves have long since been submerged under a thick layer of reserves created by the Federal Reserve Banks, using the powers granted to them by the Congress. The reserves which you paid into the Reserve Banks could be put back into your own vaults, and they would be there just as inert as they now lie in the vaults or, better, on the books of the Reserve Banks. The reserves which we created, primarily by buying government securities during the war, now find a reflection in the substantial earnings which we report each year. And similarly created reserves will be a similar source of earnings for the Federal Reserve Banks, if the reserve base needs of a growing banking system in a growing economy continue to be met in this way. We do not live on the reserves which you once placed with us.

This has nothing to do, of course, with the level of reserves which different classes of banks are required to keep with the Federal Reserve Banks. If the percentage amount of your required reserves is increased there will be, in effect, a transfer of earning assets from the member banks to the Reserve Banks. And if the percentage amount of your required reserves is reduced, there would be a reverse movement of such earning assets. Per-

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The Story of the N. Y. Mail Tube

By HUBERT F. ATWATER
Gammack & Co., New York City

Mr. Atwater, commenting on the discontinuance by the Postmaster General of facilities of the New York Mail and Newspaper Transportation Company, a subsidiary of the Lamson Corporation, despite a contract entered into in 1950, points out the tube company is but one of the many businesses owned and controlled by the Lamson Corporation.

The press and the Postmaster General have given wide publicity to the fact that since Dec. 1, 1953 the Post Office Department has refrained from utilizing the facilities of New York Mail and Newspaper Transportation Co. of New York although the mail-tubes so called, had been used to convey mail between the General Post Office in New York and a number of branches for many years and the preceding Postmaster General had entered into a 10-year contract extending to Dec. 31, 1960 for their continued use.

Hubert F. Atwater

A contract is a contract. It is usually entered into by two parties, each of whom is expected to live up to his obligations. When either party is a corporation or a natural person we can find a general compliance, with contractual terms. At times governments and Royalty have shown a tendency to be lax in their obligations although improvement in the morals of the latter has been noticeable since the conversation of the Barons with King John at Runnymede.

The contract between the Post Office Department and the New York Mail and Newspaper Transportation Co. was adjusted and renewed for 10 years in 1950, partly because at that time the Consolidated Edison Co. of New York had served notice that it would in the future supply alternating current only for the operation of the mail tubes which in the past had used direct current.

The total cost of equipment for this purpose and its installation at 10 power plants was $214,870, which under the contract referred to is to be amortized over a 10-year period with interest at 3%. The contract includes among other provisions a "price adjustment clause."

During 1952 the rentals from the mail tubes amounted to $324,416 (up $6,500 from 1951) and the operating expenses were $216,730. As operating expenses increased $15,613 in 1952 an adjustment in the rental for 1953 is due, under the contract.

These are the essential data relating to the New York Mail Tube 10-year contract with the Post Office Department, as they appear in summary in published annual reports. No mention is made of a provision for earlier termination by either party. Perhaps the lessee may be within his rights in refraining from using a facility which he has leased, but it is doubtful whether he can escape liability for the rental. That seems to be a matter that is likely to come up for judicial determination.

The mail tube system connects some 18 postal offices in New York City at a monthly cost as shown of about $27,000. Considering the relative speed of a pneumatic tube in competition with any means of surface transportation the mail tube has evident advantages. The relative cost has been weighed by one administrator and is now being publicly discussed by his successor.

Effect Upon Lamson Corporation of Delaware

Financial: The New York Mail and Newspaper Transportation Co. is a wholly-owned subsidiary of the Lamson Corp. of Delaware. It is a small and relatively unimportant subsidiary. The balance sheet of Lamson as of Dec. 31, 1952 shows "Mail Tube System, including franchise $3,737,243"; but this is before reserve for depreciation and it has been necessary to charge heavy annual depreciation in the past because the contracts with the Post Office Department were usually of very short duration. A footnote to the balance sheet states that "the book value of the (mail tube) system, after provision for depreciation amounted to $148,913 at Dec. 31, 1952," obviously without regard to the value of the francise to operate under public highways.

Naturally the Lamson Corp. wants to continue to earn the rentals under the contract held by its subsidiary and recapture the costs made necessary in equipment installed to continue this service.

On the other hand, if the lessee welshes on his obligation it will not be a calamity to the Lamson Corp. stockholders.

The Lamson Corp. has outstanding as of the present time about 12,200 shares of 6% cumulative prior preferred stock, having retired about 1,600 shares in 1953 by purchase; and 242,315 shares common stock of $5 par value. Regular dividends of $3 per share on the prior preferred stock have been paid through 1953, and now would require $36,600 per annum or less, an amount well within the earning power of Lamson without the mail tube revenue. Dividends of 60 cents per share were paid on the common stock in 1952 and 70 cents per share in 1953.

Business: The principal business of the Lamson Corp. is the manufacture of conveyor systems, pallet loaders, blowers, and related items. Recently Lamson acquired the business of a fork-lift truck manufacturer and will expand in this field.

The earlier conveyor systems are best known to present day adults as the pneumatic tubes or even "trolleys" that were installed in retail stores connecting sales counters with the cashier. Some department stores have miles of these pneumatic tubes but today such systems, improved and enlarged in carrying capacity, are found in hospitals, laboratories, banks, commercial or business offices, libraries, etc., etc. For the most part this refers to air propelled conveyors but a still larger field exists in conveyors for industry.

Industrial installations had as their basic pattern a system of metal rollers so arranged that with the help of gravity any article from a small carton to a heavy piece of machinery could be moved with little effort. Further development has brought forth overhead conveyors operating on a monorail principle and underfloor conveyors using a continuous link or chain belt. Industrial plants, railways and others have found a combination of these methods safe, rapid and above all labor saving.

Lamson Corp. acquired a business which was making an industrial package handling machine known as a pallet loader. This machine has been developed and sold to bottling plants, soap makers, oil refiners and others whose products are distributed in cartons. The function of the pallet loader is to assemble and load on wooden pallets about 3 x 4 feet in area, any rectangular package, not necessarily square, and as each layer of packages goes on the pallet the machine automatically adjusts to take the next layer, until capacity is reached. Once loaded the pallet is picked up by a fork lift truck from the discharge side of the loader and the entire assembly carried away for stack storage or shipment. Usually the installation of a pallet loader requires the use of conveyors also produced by Lamson to bring cartons to the loader from packaging rooms that may be one or more stories distant.

From these activities Lamson Corp. reported net sales of more than $7.4 million in 1951 and 1952. For 1953 the volume should be greater and the backlog of unfilled orders as high or higher than a year ago.

While no corporation is pleased to contemplate the loss of any part of its income the annual reports have indicated for some time that the mail tube revenue is not paramount or essential in the life of the Lamson Corp.

As one who has been in business in downtown Manhattan for nearly 50 years it will be of more than passing interest to observe the form of talaria (winged feet) to be added to the equipment of our intrepid couriers as they make their appointed rounds in 1954 traffic.

Elected Directors

Benjamin H. Roth, partner in B. H. Roth & Co., members of the New York Stock Exchange, and Charles Korn, attorney have been elected directors of General Realty & Utilities Corporation.

THE MARKET . . . AND YOU

By WALLACE STREETE

Reactionary tendencies persisted in the stock market this week, a condition not at all surprising in view of the technical situation and the fact that February isn't normally noted for strong markets. For the industrials, however it was more a case of backing and filling either to give the rails time to catch up or to build up a strong enough base for a second attempt to penetrate the 1953 high—a 24-year high water mark.

* * *

At least for the industrials, the market action was solidly encouraging. The classical signs of strength, including lighter volume on reactions and a good pickup in activity on more optimistic moments, were present. And in hovering only a couple of points under the old high the issues that comprise the senior index aren't anywhere near any critical level on the downside.

* * *

With the rails it is a different story. While not weak with any conviction in the reactionary markets, nevertheless they haven't shown any particular enthusiasm when buying sets in. And they are well below their previous high. Illinois Central is a case in point. Or rumors of a big iron and titanium discovery in Wyoming, the stock was able in one session to add some five points. After the announcement came out—and lived up to all the advance expectations, by the way—profit taking set in immediately and kept the issue in the minus column for the next couple of sessions.

* * *

Buoyant Bethlehem

The story was a different one in the case of Bethlehem Steel. The issue had been buoyant in anticipation of some sort of good dividend action but hardly expected the doubling of the quarterly payment from $1 to $2. Despite the advance strength, however, the issue bounded up on the actual news and continued to forge into new high territory before it ran its course and settled down. But it chose to loll much closer to its high than did Union Pacific.

* * *

There were also a few individual rails that responded rapidly to dour news to keep the carrier section heavy. Central of Georgia took a big tumble when St. Louis-San Francisco directors decided not to take over control via a bundle of stock held by one investment house. New Haven, too, had its weak moments; the stock has been carried uphill well on persistent buying reportedly for control. The few carriers such as Rio Grande, that showed independent strength including inclusion on the list of new highs, are not those included in most stock averages so the indices were deprived of this benefit in addition.

* * *

Aircrafts Slough Off

Aircrafts, after their recent above-average performance, were lack lustre this week. An official cutback affecting Glenn Martin, and hints of some production shifts here and there kept the group a bit heavy. Martin, as a matter of fact, had been rather popular recently as what the trade calls an "interesting speculation" and took its defense cutback a bit hard.

* * *

An independent favorite, despite the handicap of living in the shade of mammoth American Telephone, was General Telephone which through markets both good and bad, continued to run up a rather commendable number of appearances on the new high list. The issue reached a price that was not only best for the year but best since 1946 with only a meager fraction to go for an all-time high. Not many issues are in such a position today.

* * *

Chrysler a Continuing Casualty

The other side of the picture continues to be Chrysler which was rather notable as the casualty of 1953, what with sliding from above 96 to below 60. Stock continued to hang over the issue this week again, making it rather obvious in new low territory. Under the weight of around 20,000 shares of liquidation a day, the issue inevitably set up widespread speculation on what's in store when the directors meet for dividend action, expected next week. Measured by market action, the issue already has discounted more than a 50-cent trim in the $1.50 quarterly payment customary in the last couple of years. But, then, the market always goes to extremes. Needless to say, nothing official in the way of advance notice is available.

* * *

Movie stocks, while far from spectacular, nevertheless gave a good account of themselves. Twentieth Century-Fox fared best, due to growing acceptance of its wide screen system and favorable reception to some of its latest productions. This issue already has exceeded its 1953 best, which is an achievement so far accomplished only by a minority of the list. Televisions, however, continue to sag so that, in the stock market world at least, the movie makers have the laugh on the industry blamed for a large part of their postwar troubles.

* * *

Oils Surprise

Oils continue in favor to confound those who thought the beneficiaries of an end to excess profits taxes would divert investor attention elsewhere at least early in the year. Monterey Oil, one of the more recent arrivals to listed trading provided a feature on strength in a couple of sessions which, if continued, will be only the second runup the stock has enjoyed since appearing on the New York Stock Exchange.

Among the individual features were American Car & Foundry issues. A report of a refinancing plan for the $7 preferred which entailed a new convertible issue, sparked interest in both the preferred itself and the common. In one session the preferred added a handful of points in a couple of hours. A company denial sent it tumbling but the play didn't die down completely when it was realized that the company statement was rather cautiously worded.

Another of the individual stars was ACF-Brill Motors which, backed by a combination of reports, was able to show the No. 1 volume for one session on, for it, a good gain. But despite its persistent strength, it still had quite a way to go to come within range of its 1952 or even its 1951 best prices. In that respect, it had a lot in common with most of the issues on the exchanges which have staged their private bear markets in the last year and more despite the story told by the averages.

* * *

Continuing Selectivity

The market shows no signs yet of abandoning the highly selective nature it has built up over the past year and a half. Dow Chemical, for instance, would rate high on a list of the persistently laggard issues of 1954. Yet Victor Chemical, which most portfolio experts would place at the other end of the division, has been outperforming its better regarded companions decisively.

Glass makers generally have shown good group action, with Libbey-Owens-Ford this week joining the others in making new highs. Owens-Illinois Glass, which was best acting in the division a bit back, took to the sidelines for a while for a deserved rest. But here, again, it did so without seriously threatening the high point of its range in either 1952 or 1951.

[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.]

President's Economic Advisers Outline Policies for Combating Economic Instability

Council of Economic Advisers, in Economic Report to President, see need for constant vigilance and flexibility in a public policy in relation to the business cycle. Propose alternate policies that can be readily supplemented or quickly modified if they prove inadequate or carry the economy to threshold of price inflation. Lists as Government's "arsenal of weapons": credit controls, debt management techniques, budget administration, taxation measures, public works, accelerated depreciation for defense plants, and newly recommended agricultural supports.

The final chapter of the "Economic Report of the President," drawn up by the Council of Economic Advisers, of whom Arthur F. Burns is Chairman, and Neil H. Jacoby and Walter W. Stewart the other two members, contains a discussion and recommendations for dealing with economic instability.

The following is the complete text of this chapter of the Report:

The preceding chapters have outlined a program of action to stimulate the expansive forces of individual enterprise, and at the same time to strengthen the ability of the economy to check either recessionary or inflationary trends. The program calls for action not only by the Federal Government, but also by State and local governments. Business firms and financial institutions have important roles to play in the maintenance of prosperity, and so do workers and consumers. If consumers should sustain an even rate of spending, if businessmen should respond to changes in sales by varying the effort put into selling rather than investment outlays, if financial institutions should use uniform credit standards whether business is booming or slackening, then the tasks facing the Federal Government will, indeed, be greatly lightened. But what private economic groups do is not independent of the directions taken by public policy. By honoring the Employment Act and by demonstrating full determination to act as circumstances require, the government can create a climate of economic opinion that will foster stabilizing activities by private groups and thus ease the burden that the Federal Government itself need assume.

This Economic Report to the Congress, the first one submitted by this Administration, began by outlining general principles of governmental action, and then developed a concrete program to foster an expanding economy, free from the ravages of both deflation and inflation. Other reports will continue the work here begun. It is a duty of the Administration to inform the Congress and the people as clearly as it can of the major policies it aims to pursue. Economic life is, by the nature of things, surrounded by uncertainties, and not the least of these in the past has been the course of governmental policy itself. A government that wavers in its policy or is excessively reticent about it can, at times, be as injurious to business and consumer confidence as a government that pursues punitive measures. It is desirable, therefore, before closing this Report, to answer as far as we properly can at this time some of the questions about business fluctuations that are in the minds of many citizens.

Need for Constant Vigilance and Flexibility

In discussions of the relation of public policy to the business cycle, this question is commonly raised: At what point should or will the Federal Government act in the interest of checking depression or inflation? The thought seems to be that the government can stand aloof until some price index or unemployment figure reaches this or that magnitude.

This is not a realistic concept of public policy. It overlooks the need for constant vigilance and preventive action, day by day and week by week.

The decisions currently made by government, whether in the sphere of taxes or housing or defense or agriculture or bank credit or any other major area, inevitably have implications for economic growth and stability, if not immediately, then in a later day. The new concept that is emerging in the practical art of government, as Chapter 3 may already have suggested, is to subject every act of proposed legislation or administrative decision, as far as that is humanly possible, to review from the standpoint of the contribution it is likely to make, whether in the immediate or a more distant future, to the attainment of an expanding economy with maximum employment and without price inflation. That was the basic intent of the Employment Act of 1946, and it is a guiding principle of this Administration. If our economy is to have a good chance of staying firmly on the road that separates inflation from recession, the government must be alert and sensitive to every economic development, including its own myriad activities; it must be prepared to take preventive as well as remedial action; and it must put itself in a state of readiness to cope with new situations that may arise.

This Report has sought to convey these basic principles, both in its review of the directions taken by governmental policy during the past year and in the new program of action that is being recommended. But the question may be asked: Is the proposed program sufficient to insure stable prosperity? Does it deal adequately with the economic conditions that are currently emerging? Or, may it not go too far and unleash new inflationary forces? To these questions, no answer can be both short and honest.

The recommended program is sound. It is designed to meet the needs of the current situation, to strengthen the basic expansive forces of individual enterprise, and to protect economic stability.

But no one, however learned or wise, can predict with certainty the precise strength or influence of a particular governmental program. Further, apart from what the government does, economic life continually turns up new problems and opportunities, as fresh developments occur in one or another part of the domestic front or the international field. The government must be ready to deal with numerous contingencies, and beware of tying the fate of the nation to a rigid economic program based on a categorical forecast.

Instrumentalities of Policy

In recognition of the fallibility of economic forecasts, this Report has recommended several measures that will automatically tend to strengthen the ability of the economy to resist either recessionary or inflationary trends. But automatic stabilizers cannot be counted on to do more than restrain either an upward or a downward tendency of the economy. In view of their limitations, and because of the impossibility of being entirely sure in advance of the precise effect of any governmental program, the government will pursue flexible policies in the future as it has in the past year—that is, policies that can be readily supplemented if they prove inadequate, or quickly modified if they carry the economy to the threshold of price inflation.

The arsenal of weapons at the disposal of government is very formidable. It includes credit controls administered by the Federal Reserve System, debt management techniques of the Treasury, and the authority of the President to vary the terms of mortgages carrying Federal insurance, apart from the wide extension of that authority recommended in this Report. It includes the administration of the budget, which permits more flexibility than is commonly appreciated, quite apart from new legislation or new appropriations by the Congress. It includes also other areas of action, such as taxation, public works, accelerated depreciation for defense plants, and the newly recommended agricultural supports. And if the powers possessed by the Executive should need to be increased to cope with some new economic development, the Administration will promptly seek from the Congress the additional authority that it requires.

Actions in Case of Need

Since economic troubles have different causes and often require different treatment, no detailed blueprint of specific actions can be responsibly laid down in advance of the event. There are, however, certain broad principles that will guide this Administration in dealing with the possible threat of a depression. These should be made clear.

The first and foremost principle is to take preventive action, as was done during the past year and as is further recommended in this Report. The second principle is to avoid a doctrinaire position, work simultaneously on several fronts, and make sure that the actions being taken harmonize and reinforce one another. The third basic principle is to pursue measures that will foster the expansion of private activity, by stimulating consumers to spend more money and businessmen to create more jobs, so that the economy may resume its growth with new strength. The fourth principle is to act promptly and vigorously if economic conditions require it. The government will not hesitate to make greater use of monetary, debt management, and credit policy, including liberalized use of Federal insurance of private obligations, or to modify the tax structure, or to reduce taxes, or to expand on a large scale the construction of useful public works, or to take any other steps that may be necessary. The government must and will be ready to deal with any contingencies that may arise. An essential part of this preparedness under present circumstances is a higher Federal debt limit, which is already necessary for the efficient conduct of the government's current operations.

The need for constant vigilance and preparedness by government does not, however, justify constant stirring or meddling. Minor variations in activity are bound to occur in a free economy, or for that matter in any type of economy. The arsenal of stabilizing weapons will be drawn upon by the government boldly, but not more frequently than is required to help maintain reasonable stability. Nor will flexible policies aiming to minimize economic fluctuations be permitted to interfere any more than is necessary with the fiscal objective of bringing down the scale of Federal expenditures, reducing taxes, and arriving at a budgetary balance.

The Basis for Progress

The government can greatly help to maintain prosperity. But it is well to recall the accumulated experience of generations which has taught us that no government can of itself create real and lasting prosperity. A thriving economy depends fundamentally on the enterprise of millions of individuals, acting in their own interests and in the interests of their families and communities. The American people are highly skilled, imaginative, enterprising, and forward-looking. The best service that the government can render to our economy, besides helping to maintain stability and insuring a floor of protection for the population, is therefore, to create an environment in which men are eager to make new jobs, to acquire new tools of production, to improve or scrap the old ones, design new products and develop new markets, increase efficiency all around, and thus be able and willing to pay higher wages and provide better working conditions. The Federal Government is fostering and will continue to foster this kind of environment.

Our economy today is highly prosperous, and enjoys great basic strength, as Part II of this Report has indicated. The minor readjustment under way since mid-1953 is likely soon to come to a close, especially if the recommendations of the Administration are adopted. These recommendations, like the analysis of the current situation on which they are based, envision a sustained improvement in American living standards and a broadly expanding economy. There is every reason for confidence that our system of individual enterprise, which is one of the wonders of the world, will long continue to be a producer of ever-increasing wealth and widely diffused well-being.

Pryor Exec. V.-P. of Milwaukee Company

MILWAUKEE, Wis.—The board of directors of The Milwaukee Company, 207 East Michigan St., on Thursday, Jan. 28, elected Earl Pryor Executive Vice-President of the company. Mr. Pryor was President of Edgar, Ricker & Co., one of the oldest investment houses in Wisconsin, at the time it was merged with The Milwaukee Company in 1941. He became associated with Edgar, Ricker & Co. in 1911. Mr. Pryor was a founder of The Milwaukee Bond Club, in which he is still active.

Eisenhower Outlines Housing Program

President, in special message to Congress on Jan. 25, proposes broadening of present housing legislation, and, among other things, recommends creation of an institution to furnish a secondary mortgage market.

On Jan. 23, President Dwight D. Eisenhower submitted to Congress a special message in which he made proposals for legislation regarding a new and extended housing program.

The text of the President's message follows:

TO THE CONGRESS OF THE UNITED STATES:

I submit herewith measures designed to promote the efforts of our people to acquire good homes, and to assist our communities to develop wholesome neighborhoods in which American families may live and prosper. The development of conditions under which every American family can

Pres. Eisenhower

obtain good housing is a major objective of national policy. It is important for two reasons. First, good housing in good neighborhoods is necessary for good citizenship and good health among our people. Second, a high level of housing construction and vigorous community development are essential to the economic and social well being of our country. It is, therefore, properly a concern of this government to insure that opportunities are provided every American family to acquire a good home.

In working toward this goal, we must not be complacent. The Federal Government must provide aggressive and positive leadership. At the same time actions and programs must be avoided that would make our citizens increasingly dependent upon the Federal Government to supply their housing needs. We believe that needed progress can best be made by full and effective utilization of our competitive economy with its vast resources for building and financing homes for our people.

The building of new homes provides only a partial solution to the housing problem. The nation has tremendous assets in its 37 million existing nonfarm homes. The fact that 20 million of these are owner-occupied demonstrates the continuing efforts of our people to have their own homes, where they can raise their families in self-respect and in good surroundings. But 19 million of our existing nonfarm homes are more than 30 years old. We must encourage the conservation and improvement of our existing supply of homes for the important contribution this can make to the raising of national housing standards.

Our housing deficiencies continue to be serious. Millions of our people still live in slums. Millions more live in run-down, declining neighborhoods. The national interest demands the elimination of slum conditions and the rehabilitation of declining neighborhoods. Many of our local communities have made good progress in this work and are eager to make further substantial improvements but are hard put to find the needed resources.

The knowledge, the skills, the resources and, most important, the will to do this job already exist in the nation. We have a private home-building industry and home-financing institutions that are strong and vigorous. We have a highly skilled labor force. Savings are high. While some of our communities are financially hard-pressed, they are increasingly alert to the need both for improving their existing physical plants and for sound growth and development proportionate to their expanding populations. We have the unlimited resources which grow from the independence, pride and determination of the American citizen. I am convinced that every American family can have a decent home if the builders, lenders, and communities and the local, State and Federal Governments, as well as individual citizens, will put their abilities and determination energetically to the task.

To help find the best way to meet our national housing needs, I recently appointed an Advisory Committee on Government Housing Policies and Programs, consisting of leading citizens experienced in the problems of housing, mortgage finance, and community development. Under the Chairmanship of the Housing and Home Finance Administrator, this Committee has made an exhaustive study of existing Federal housing programs. It has also analyzed numerous proposals for the development of a program better adapted to our present housing requirements. The conclusions of this Committee, and the results of our own studies and experience in administering present housing laws, are reflected in the recommendations I am about to propose. Several of these recommendations provide an entirely new approach to the task of meeting our housing needs.

I

Neighborhood Rehabilitation and Elimination and Prevention of Slums

In order to clear our slums and blighted areas and to improve our communities, we must eliminate the causes of slums and blight. This is essentially a problem for our cities. However, Federal assistance is justified for communities which face up to the problem of neighborhood decay and undertake long-range programs directed to its prevention. The main elements of such programs should include:

First: Prevention of the spread of blight into good areas of the community through strict enforcement of housing and neighborhood standards and strict occupancy controls;

Second: Rehabilitation of salvable areas, turning them into sound, healthy neighborhoods by replanning, removing congestion, providing parks and playgrounds, reorganizing streets and traffic, and by facilitating physical rehabilitation of deteriorated structures;

Third: Clearance and redevelopment of nonsalvable slums.

Existing housing programs permit an effective attack on only the third of these essential tasks. A new approach will help our communities to deal effectively with the other two. I, therefore, make the following recommendations:

(1) Title I of the Housing Act of 1949 should be broadened. It should make available a program of loans and grants for the renovation of salvable areas and for the outright elimination of nonsalvable slums. Under this program, there would be immediately available from existing authorizations approximately $700 million of loan funds and $250 million in capital grant funds. As our communities are enabled by this broadened authorization to increase the scope and pace of their efforts, I shall request such additional loan and grant authorizations as can be effectively used.

(2) The Federal Housing Administration should be authorized to insure private credit used to rehabilitate homes in declining neighborhoods. This new program should be limited to specific areas where the local community has given adequate assurances that it will carry out a workable plan of neighborhood renewal.

(3) A program of matching grants to States and metropolitan areas should be established to enable smaller communities and metropolitan area planning agencies to do the planning job which is necessary to arrest the spread of slum conditions. I recommend that the Congress authorize the appropriation of $5 million for this purpose.

II

Conservation and Improvement of Existing Housing

Because of the housing shortages that developed during the depression and war years, recent Federal housing activities have been directed mainly to increasing the production of new homes. But while the high demand for new homes will continue, and while private activity will be encouraged to meet that demand, we must also undertake the long-delayed job of maintaining existing homes in good condition. Millions of our people live in older homes in which they have invested their savings; our people and our economy will greatly benefit if these homes can be kept in good repair and are brought up to modern standards of comfort and convenience.

It is not enough, therefore, to rehabilitate homes in obsolete neighborhoods. To encourage the maintenance and improvement of homes wherever located, I recommend the following additional amendments to the National Housing Act:

(1) The maximum permissible terms authorized for the insurance of loans on existing homes should be made comparable to those available for new housing. This amendment will end the present discriminatory policy which favors the purchasing of new as against existing homes. It should have the important additional advantage of facilitating the trading in of older homes on new home purchases.

(2) The maximum loan which can be insured under Title I of the National Housing Act to repair and modernize single-family homes should be increased from $2,500 to $3,000 and the maximum term should be extended from three years to five years. Comparable revisions should be made in loan limitations and terms authorized for the rehabilitation of multiple dwellings. Since the terms of such loans have not changed for 15 years, these adjustments are obviously needed to help our citizens repair and improve their homes.

III

Housing for Low-Income Families

The continued lack of adequate housing, both new and used, for low-income families is evidence of past failures in improving the housing conditions of all of our people. Approval of my preceding recommendations will increase the opportunities of many families with low incomes to buy good older homes. But a more direct and more positive approach to this serious problem must be taken by the government. I recommend, therefore, a new and experimental program under which the Federal Housing Administration would be authorized to insure long-term loans of modest amounts, with low initial payment, on both new and existing dwellings, for low-income families. The application of this new authority should be limited to those families who must seek other homes as a result of slum rehabilitation, conservation, and similar activities in the public interest. I recognize, as did the Advisory Committee, that this program represents a challenge to private builders and lenders. In order to assist them in meeting this challenge, a greater proportion of the risk should be underwritten by the Federal Housing Administration than it regularly insures. The successful development of this program will afford a much greater proportion of our lower income families an opportunity to own or rent a suitable home.

Until these new programs have been fully tested and by actual performance have shown their success, we should continue at a reasonable level the public housing program authorized by the Housing Act of 1949. I recommend, therefore, that the Congress authorize construction, during the next four years, of 140,000 units of new public housing, to be built in annual increments of 35,000 units. Special preference among eligible families should be given to those who must be relocated because of slum clearance, neighborhood rehabilitation, or similar public actions. The continuance of this program will be reviewed before the end of the four-year period, when adequate evidence exists to determine the success of the other measures I have recommended. In addition to this requested extension of the public housing program, the Housing Administrator will recommend amendments to correct various defects which experience has revealed in the present public housing program.

IV

Housing Problems of Minority Group Families

It must be frankly and honestly acknowledged that many members of minority groups, regardless of their income or their economic status, have had the least opportunity of all of our citizens to acquire good homes. Some progress, although far too little, has been made by the Housing Agency in encouraging the production and financing of adequate housing available to members of minority groups. However, the administrative policies governing the operations of the several housing agencies must be, and they will be, materially strengthened and augmented in order to assure equal opportunity for all of our citizens to acquire, within their means, good and well-located homes. We shall take steps to insure that families of minority groups displaced by urban redevelopment operations have a fair opportunity to acquire adequate housing; we shall prevent the dislocation of such families through the misuse of slum clearance programs; and we shall encourage adequate mortgage financing for the construction of new housing for such families on good, well-located sites.

V

Modernization of National Housing Act

There are certain deficiencies and numerous obsolete and unnecessary provisions in the National Housing Act. The Housing Administrator will present to the appropriate Committees of the Congress a number of proposals to modernize this basic law. These recommendations will include a scale of mortgage ceilings more realistically related to the increased cost of both single-family and multi-family structures and complementary revisions in mortgage ceilings for cooperative projects.

VI

Adjustment of Permissible Terms of Government Insured or Guaranteed Mortgages

Because inflationary or deflationary pressures can be accentuated or diminished by mortgage credit terms, government operations in connection with the insurance or guarantee of mortgage loans should be judiciously adjusted to prevailing economic conditions. The Congress has already given the President limited authority to adjust from time to time, in the light of economic conditions, the permissible terms on government guaranteed and insured mortgages. I urge the Congress to broaden this authority to cover all loans insured by the Federal Housing Administration and guaranteed by the Veterans Administration. Such authority would permit adjustments, within appropriate statutory limits, in maximum interest rates and in loan-to-value ratios and maturities. This action by the Congress would materially strengthen our ability to stabilize economic activity and high levels of production and employment. A fuller discussion of the importance of this recommendation will be included in the Economic Report to be submitted to the Congress on Jan. 28.

VII

Secondary Mortgage Market

In recent years the Federal National Mortgage Association has functioned as a primary lender rather than as a secondary source of mortgage credit. As a result the Federal Government now finds itself with substantial frozen investments in guaranteed and insured mortgages. Because of the terms on which these mortgages were written and the prices at which they were purchased, they are not readily salable in the private market. The following changes should therefore be made:

(1) The Federal National Mortgage Association should be reorganized to require the users of the facility to invest funds on a basis which would eventually permit the full retirement of government funds from secondary mortgage market operations. The Federal Government should be enabled to purchase the initial stock of the reorganized association, but private capital funds supplied by the users of the facility should be built up to speed the retirement of the government's initial investment.

(2) The reorganized Federal National Mortgage Association should be given three basic responsibilities:

First: It should be authorized to issue its own nonguaranteed debentures on the private market. With the funds so obtained, it can perform a desirable service by buying mortgages at market rates in areas where investment funds are scarce, for resale in areas where there is a surplus of funds. There is need for an organization to carry out this true function of a secondary market.

Second: The new Association should be authorized to manage and liquidate present mortgage holdings which are government-owned assets. It should be made clear that such liquidation is to be accomplished in an orderly manner and in such a way as to protect the interests of the individual borrower. Since Treasury funds were used in the acquisition of these assets, all proceeds of this liquidation should be returned to the Treasury.

Third: The President should be enabled to authorize the Federal National Mortgage Association to borrow directly from the Treasury for the sole purpose of purchasing certain kinds and types of insured and guaranteed loans when the President determines such action to be necessary in the public interest. For this purpose the borrowing authority of the Association should be limited to a reasonable amount to be made available from the present Treasury borrowing authorization of the Association. Although outright primary support for certain types of loans may be desirable in the public interest from time to time, this support should be clearly identified as the direct use of Treasury funds for mortgage purchasing, and the extent of such support should be closely controlled.

Approval of these recommendations will correct the most serious defects of the present mortgage purchasing operations of the Federal Government and will authorize an effective secondary market facility, relying primarily on private financing. It will also provide flexible authority under which the Federal Government could directly purchase mortgages, should economic conditions and the public interest indicate the need for such action.

VIII

Reorganization of Federal Housing Activities

The present organization of Federal housing activities is unsatisfactory. The Housing and Home Finance Agency is a loosely knit federation of separate organizations. Its present structure is cumbersome, inefficient and lacks clearcut recognition of administrative authority. The result is confusing to the public. Neither the Congress nor the Executive Branch can expect it to acieve good and efficient management under its present structure. I shall, therefore, submit to the Congress a reorganization plan to provide a better grouping of housing activities headed by an Administrator with adequate supervisory authority.

* * *

I believe that this message offers the means whereby our nation may provide more and better homes for our families. By applying these recommendations we shall add to the comfort and the health of our people; we shall strengthen the economic and social fibers of our nation; and we shall reinforce the freedom and self-reliance which have brought greatness to our land. I urge, therefore, that the Congress give to these recommendations its early and favorable consideration.

DWIGHT D. EISENHOWER

The White House,
January 25, 1954.

Exchange Firms Govs. To Meet in Washington

WASHINGTON, D. C. — Arrangements are being completed for the winter meeting of the Board of Governors of the Association of Stock Exchange Firms which will be held at the Shoreham Hotel here Feb. 15-17. Similar meetings were held in Washington in 1950 and 1947.

James Parker Nolan, Executive Vice-President and Treasurer of Folger, Nolan-W. B. Hibbs & Co., Inc., is the local Governor of the Association in charge of arrangements. Of the 35 members of the Board representing the securities industry from 19 leading cities, 34 are expected to attend.

The meeting will be highlighted by a dinner at the Statler Hotel on Monday evening, Feb. 15, at which Keith Funston, President of the New York Stock Exchange, will make the address of the evening. At luncheon that day the Governors will be guests of the Potomac Electric Power Co.

The Association Board meets at least three times a year in cities throughout the country to discuss problems of the industry. Horace W. Frost, resident partner of Tucker, Anthony & Co., in Boston, is the current President and will preside at business sessions and at the dinner.

Sterling Area Interested in the U. S. Economic Battlefield

By PAUL EINZIG

Dr. Einzig, foreseeing possibilities of recession in U. S., along with its unfavorable impact in Britain and elsewhere, says Sterling Area should anticipate this eventuality by building up substantial commodity reserves. Holds use of large part of Sterling Area's gold reserves would effectively support any official American action to check a slump. Also advocates Sterling Area buy their own commodities, since any slump in Sterling Area products resulting from decline of American buying, would aggravate a U. S. slump. Defends inflationary aspects of this action as an antidote to a slump.

Dr. Paul Einzig

LONDON, Eng.—Day after day anxious eyes are scanning the press for news about business conditions in the United States. Everybody who follows the subject with interest is aware that the economic Battle of Britain — or, for that matter, the Battle of France, the Battle of Germany, etc.—of 1954 will be won or lost on the economic battlefields of the United States. This conviction tends to give rise to a certain degree of fatalism on this side of the Atlantic. "What is the use," many people ask themselves, "of exerting ourselves if the utmost results of our exertions are liable to be wiped out by an American trade recession? Our fate depends on factors over which we have no control." The widespread adoption of this attitude may mean a relaxation of the efforts to produce more and export more. It may mean that restraint on wage demands and efforts to resist them would be abandoned.

In view of the highly damaging effect of such demoralization it is deplorable that the governments concerned have not produced and published extensive plans of action in face of an American trade recession. The view was taken at the Sydney meeting of Commonwealth Finance Ministers that there should be as little public talk as possible about American recession. This is a mistaken attitude, for evidence of preparedness to meet the emergency would produce a favorable effect.

There can be no doubt that various measures which would be applied in case of an American recession were discussed at Sydney. It is even conceivable that suggestions of ways in which Britain and the Commonwealth could help in mitigating an American recession were under consideration. For there can be no doubt that the Sterling Area has very effective means at its disposal for influencing world trends. Foremost among them would be the building up of substantial commodity reserves by the governments of the Sterling Area.

It is true the amount of the Sterling Area gold reserve available for the acquisition of commodities from the Dollar Area would be a mere drop in the ocean in face of a major recession in the United States. Even so, the use of a large proportion of that reserve for that purpose would effectively support any official American action to check a slump. Possibly in addition to the actual reserves, Britain and other Sterling Area countries would be able to secure dollar loans to increase such supporting purchases.

Provided that the acquisition of dollar commodities is confined to commodities which must be imported in any case from the Dollar Area, the operation would merely amount to the conversion of the gold reserve into reserves of commodities on which the gold would have to be spent sooner or later. It is precisely in order to be able to import such commodities that the gold reserve is needed.

In addition to buying dollar commodities, the British and Sterling Area governments would be in a position to assist in the prevention of a major American recession also by buying sterling commodities. If supplies are thus withheld from the world market this would assist in the prevention of a slump in the United States. Any slump in Sterling Area products resulting from a decline of American buying would aggravate the slump in the United States. The governments of the Sterling Area are well in a position to prevent such a slump in the interests of their own producers as well as of the United States. Their resources for buying dollar commodities may be limited, but those available for buying sterling commodities are almost unlimited. They could build up formidable stockpiles of rubber, tin, wool, jute, etc. In doing so they would greatly contribute towards the prevention of a slump in world prices.

Admittedly such operations on a large scale would entail deficit financing and would be distinctly inflationary. But then inflation is precisely what is needed as an antidote to a slump. Even if the effect of the inflationary expenditure should go beyond merely counteracting the deflationary forces and should result in a net increase of prices the advantages of avoiding a major slump would greatly outweigh the disadvantages of such an increase.

A possible argument against the proposal is that it would entail grave risk for the governments concerned. Should there be a slump in spite of their efforts to prevent it they would suffer heavy losses on their commodity reserves. This risk would be negligible, however, in comparison with the full financial, economic, social and political consequences of an American slump. Budgetary deficits arising from large-scale unemployment would greatly outweigh any conceivable losses on commodity reserves accumulated in an attempt at preventing such unemployment.

What matters is that there should be concerted action between the governments concerned and the United States Government. Between them they would be in a much stronger position to prevent a slump by coordinating their interventions in the commodity markets. The United States Government could reciprocate the assistance by providing in some form the dollars needed to fill the gap created by a decline of American imports resulting from a recession.

The mere fact that preparations for such actions have been made well in advance should go a long way towards preventing a slump. Secrecy in this sphere is utterly futile and is liable to weaken the preventive effect of any plans that may exist. It is not enough to give vague assurances that action would be taken if needed. If the plans are adequate they would be very helpful in preventing a slump. If they are inadequate timely criticism would compel the governments concerned to improve on them before it is too late.

Private Companies Meet Pacific Northwest Power Needs

J. E. Corette, President of Montana Power Company, as spokesman for five Northwest investor-owned power companies, says a plan has been developed to meet combined need of 150,000 to 200,000 additional kilowatts a year during next twenty years.

J. E. Corette

"Cheap power," a phrase with tremendous appeal in the Pacific Northwest, has been given a new economy treatment, according to an announcement of J. E. Corette. Enough kilowatts of new electrical energy to meet the estimated needs of customers for 20 years can be generated at no cost to the Federal Government, according to a plan put forth by five of the Northwest's investor-owned power companies.

Mr. Corette, President of the Montana Power Co. and spokesman for the companies, said in New York when here to confer on the plan:

"Response to our proposal has been overwhelmingly favorable and I am confident that we can go ahead with our program rapidly enough to meet the needs of our customers for the next 20 years.

"The companies see a combined need for 150,000 to 200,000 kilowatts a year for the next 20 years and they are willing to spend about $50 million a year to provide that power. I have long felt that power shortages will continue in any area so long as the people rely entirely upon the Federal Government for their power supply."

Essentially, the plan calls for the development of entire multipurpose projects by investment capital, with the Federal Government contributing the cost of those features which produce no direct revenues, such as irrigation, flood control, navigation and recreation.

The plan is in direct response to the National Administration's policy, which challenges regional, state and local power groups to accept responsibility for the generation of needed new power on a "partnership basis." Ways and means for putting that policy into effect have been left to local private and public interests.

The five-company plan thus would enable the Federal Government to spread its river development appropriations further and over more years.

Approval has already been received from the Department of Interior. Ralph Tudor, Undersecretary, recently gave approval to the plan. Although careful to balance between public and private power, Fred Aandahl, Assistant Secretary, indicated how the plan may be received officially. He said in a speech:

"In the Pacific Northwest, where all we have heard is a story of power shortage that must be supplied mostly by the Federal Government, local interests, about half public and half private, have taken the initial steps to start construction of 4,150,000 kilowatts of generating capacity. The new power policy is bringing wholesome results."

Included in the plan at present are Montana Power Co., Washington Water Power Co., Portland General Electric, Pacific Power & Light and Mountain States Power companies. More companies may come into the group later.

The members serve 800,000 electric customers, nearly 50% of all power users in Washington, Oregon, northern Idaho and Montana. The companies together have an installed generating capacity of 1,400,000 kilowatts.

Even men formerly engaged in furthering exclusively Federal dams see merit in the five-company plan. Commenting upon it recently was Col. F. S. Tandy, Walla Walla Corps of Engineers.

"The interest shown by these companies is evidence that the partnership program of the Administration will work."

The plan in its essence is a simple one. As soon as a pattern for the partnership is established, the way is clear.

A generating company has been mentioned as a possibility. It would be owned by the member companies. Patterns already exist for financing and operating such multi-company projects.

Precedents have been set by two combinations of power companies elsewhere in the country. One, a five-company group known as Electric Energy, Inc., will supply power for the atomic plant at Paducah, Ky. Another is the Ohio Valley Electric Co., comprised of 15 companies which will supply power for a hydrogen bomb plant. Both are like the proposed combination except that power would go to utility customers, not bomb plants.

Two weeks after the five-company plan was announced, the companies had taken their first step together. They asked the Federal Power Commission for preliminary survey permits on two prospective dam sites on the Clearwater River of Idaho. The dams would have a potential of 536,000 kilowatts.

With such features as flood control, storage and whatever irrigation, navigation and recreation features there might be, the dams would cost about $305 million, according to Army Engineers' figures. Flood control is a particularly important item.

One dam is at Bruces Eddy on the north fork of the Clearwater. The other, Penny Cliffs, is on the middle fork. Together they would provide about 3,730,000 acre feet of useful storage for power generation, flood control and other beneficial uses. Both would be rock fill dams.

Bruces Eddy would be 576 feet high with a power installation of 244,000 kilowatts and 1,430,000 acre feet of storage. Penny Cliffs would be 596 feet high with 292,000 kilowatts of capacity and 2,300 acre feet of storage.

There is at least one aspect of the companies' hope for the Clearwater which is unique. Unlike most major dam sites in the Northwest, the proposed dams are relatively noncontroversial.

S. S. Hall, Jr. Now Partner in Reynolds

Samuel S. Hall, Jr. has been admitted to general partnership in Reynolds & Co., 120 Broadway, New York City., members of New York Stock Exchange, the firm announced. Mr. Hall was formerly investment officer of the Carnegie Foundation, financial Vice-President of the New England Mutual Life Insurance Co., and more recently Vice-President and a director of Husky Oil Corporation. He is a director of Thatcher Furnace Co., St. Louis-San Francisco Railway, and Greer Hydraulics, Inc., and is Treasurer of General Theological Seminary of Protestant Episcopal Church of U. S.


Samuel S. Hall, Jr.

Wm. Boggs V.-P. of John R. Boland Co.

The election of William H. Boggs as Vice-President of John R. Boland & Co., Inc., 30 Broad Street, New York City, member of the National Association of Securities Dealers, has been announced by John R. Boland, President of the New York securities firm.


Wm. H. Boggs

Mr. Boggs formerly was associated with Carl M. Loeb, Rhoades & Co. He is a former President of the Baltimore Security Traders Association and was associated with Alex. Brown & Sons, Baltimore investment banking firm, for 14 years. During World War II he was commissioned as an officer in the U. S. Marine Corps, serving in the Pacific with the 2nd Marine Air Wing. He is now a Major in the Marine Corps Reserve.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market has taken the large refunding pretty much in stride even though some of the outstanding issues have been knocked from their high perches. The market was vulnerable to some kind of a reaction in spite of the refunding because prices had advanced very sharply and with considerable rapidity. Also the market was very thin on the upside. The backing and filling which has come along with the refunding operation of the Treasury is a very healthy development.

The combination offering of a one year 1⅝% certificate and an intermediate term 2½% bond to holders of the called or maturing obligations definitely fits into the current pattern of the money markets. The reception given the new refunding issues has been a very successful one, with reports that the smaller commercial banks have gone in for the middle term 2½% in a very heavy way.

Less Frequent Treasury Offerings

By putting together several issues of government obligations in one refunding, the Treasury will not be in the market as often in the future as they have been the past, assuming, to be sure, that there are no unforeseen developments in the picture. This, the largest refunding operation ever undertaken by the Treasury, is expected to establish a pattern which should result in less disturbances in the money markets in the future. The Treasury whenever it goes into the financial markets, whether it be for a straight refunding, a combination offer or in order to raise new money, has an important influence upon the money markets and it is sometimes a considerable period of time before equilibrium is again restored. A course of action such as seems to be in operation now by the Treasury should have very favorable implications as far as the money markets are concerned. This in turn will be reflected in the government security market which most likely will have less violent and sharp price movements.

Debt Extension Achieved

The Treasury in its offer to refund five maturing issues, approximately $21 billion, in one operation took the money markets by surprise because the largest bunching which had been actively discussed and looked for was the February and March maturities. However, by going out into the June maturities the Treasury has cleaned up the refunding of bonds until the year-end ones come up for consideration. To be sure, there will be certificates to be refunded in the interim period but this is quite likely to be a "roll over" operation.

By offering a seven-year-and-nine-month 2½% bond for the June 2s, the June 2¼s, and the partially exempt June 2¼s the Treasury is improving its maturity schedule because in the amount in which the new intermediate term bond is taken in exchange for the maturing obligations there will be an extension of maturities. The intermediate term 2½% bond is an attractive issue and it fits well into the maturity needs of commercial banks. Where loans have been lost through repayments, the 2½% refunding issue is being given a fine reception because it allows the deposit banks to get a very desirable income without going out into the longer range issues.

The one-year 1⅝% issue was expected and this security fits the needs of those institutions that must have a short-term obligation. Corporations as well as commercial banks are very much interested in the 1⅝% certificates. On the other hand there has been a very sizable exchange by the deposit banks into the intermediate term 2½s with indications that the smaller commercial banks in the outlying areas will be the most important group as far as this issue is concerned.

New Long-Term Financing Rumored

With the short and intermediate term sectors of the market taken care of in the current refunding, the question comes up as to when there will be an offering of securities that will fall into the longer term classification. It seems as though many market specialists are looking for some long-term government bond financing next month. The fact that the public debt is so close to the $275 billion statutory limit has stood in the way of the Treasury undertaking a new long-term bond. This obstacle will be overcome in the next few weeks however.

Even if Congress should not raise the debt limit, the maturing of tax anticipation issues will reduce the outstanding debt and thus permit a long-term issue under the existing debt limit. On March 22 there will mature $5.9 billion of tax anticipation certificates, most of which will be turned in for taxes. This will reduce the outstanding debt and create a margin within the present statutory debt limit for a new long-term government bond.

FHLB to Redeem Notes

Net Income Increased

The Federal Home Loan Banks on Feb. 1 announced through Everett Smith, fiscal agent, that the $111,000,000 outstanding issue of 2¾% consolidated notes, series A-1954, due Feb. 15, 1954 will be redeemed at maturity from current resources of the banks. Principal and interest will be payable at any Federal Reserve Bank or branch. Upon redemption of the issue outstanding consolidated note obligations of the banks will have been reduced to $302,500,000.

The comparative consolidated statements of profit and loss of the Federal Home Loan Banks for the year ended Dec. 31, 1953, shows a net income of $10,706,892 during 1953, compared with net income of $8,625,076 during the preceding year. Dividends of $4,551,000 were declared during 1953.

Total assets of the banks on Dec. 31, 1953 amounted to $1,387,517,554, compared with $1,221,702,022 a year earlier. Assets as of last Dec. 31 included investments of $387,337,017 in public debt obligations of the United States and advances to member institutions of $951,555,018. The banks had deposits of $558,679,101 and total capital of $406,039,126 on Dec. 31, 1953.

Kerbs, Haney Admit

George J. Haney on Feb. 4 becomes a partner in Kerbs, Haney & Co., 39 Broadway, New York City, members of the New York Stock Exchange.

RFC to Dispose of Its Small Business Loans

Joint announcement of Kenton R. Cravens, RFC Administrator, and J. P. Dreibelbis, Vice-President of Bankers Trust Company of New York, reveals plan whereby banks will take over outstanding loans under $500,000.

It is revealed by the Reconstruction Finance Corporation that in conjunction with a voluntary committee of bankers, a plan has been formulated whereby various banks will purchase the major interest in RFC's outstanding business loans of $500,000 and under.



Kenton R. Cravens J. Paschal Dreibelbis

A joint announcement of this significant financial arrangement, which will effect estimated government savings of $15,000,000 during the next six years, was made by Kenton R. Cravens, Administrator of the RFC, and J. P. Dreibelbis, Vice-President of the Bankers Trust Company of New York, and Chairman of the Special Committee of bankers which has been discussing the project with RFC for several months.

The loans involved number approximately 3,500, with an aggregate unpaid balance of some $100,000,000. Of this portfolio, 66% of the loans are under $25,000 and 93% under $100,000. Practically every state in the Union is represented by the obligations currently held by RFC.

In response to the direct request of the Eisenhower Administration to be of assistance, the country's banking machinery has been mobilized to help liquidate the government's loans. The plan that has been approved was outlined by Mr. Cravens in Chicago in a talk before 1,000 bankers attending the National Credit Conference of the American Bankers Association. In a press conference held in Chicago, Mr. Cravens pointed out:

(1) It is estimated that administrative and servicing costs in the neighborhood of $15,000,000 will be saved by the government over the next six years.

(2) The proceeds of the sale will provide immediate cash to the government and assist in balancing the budget.

(3) Hundreds of banks large and small throughout the country will participate in the program. This will help to restore a normal relationship between this group of borrowers and the banks in their own communities.

(4) The plan will substantially reduce the area of government financial assistance to private enterprise.

(5) The plan is well designed to protect the interests of the American taxpayers and obtain every possible dollar involved.

(6) An examination by Regional Appraisal Committees of the loans included in the plan is starting immediately and is expected to be completed by Feb. 20. Closing date of the sale has been set for March 31.

Mr. Cravens stated that the government's program could not have been completed without the full cooperation of the nation's bankers and their sincere desire to contribute to a sound economy.

"This is a national plan . . . not just a big city plan," said Mr. Cravens. "It is a joint effort by the nation's banking system to cooperate with the government and industry to perform a vital economic service."

Under the plan, participating banks will pay cash to the RFC for their interest in the majority of the RFC's outstanding business loans. Loans will be pooled together and participating banks will obtain certificates of interest. The rate of interest on the certificates has not yet been determined. However, it will be sufficiently below the interest rate on the loans to provide an adequate margin to cover servicing costs. The government will receive interest on its deferred participation at the certificate rate plus any residue remaining after payment of servicing costs.

The plan provides for a Central Advisory Committee appointed by the bankers. This Central Committee will appoint a Regional Advisory Committee for each Federal Reserve District. Regional Advisory Committees will select and recommend banks to the RFC to act as servicing agents in local areas. Loans will be administered pursuant to a servicing agreement, which will provide for a small servicing fee. Servicing banks will hold the notes and collateral and will act under such powers of attorney as are necessary to properly administer the loans.

In addition to Mr. Dreibelis, the Joint Committee of representatives of American Bankers Association and Association of Reserve City Bankers that has been working on the program, is made up of the following: Fred F. Florence, President of the Republic National Bank, Dallas, Texas; George S. Moore, Executive Vice-President, The National City Bank of New York (alternate, C. Sterling Bunnell, Vice-President, The National City Bank of New York); R. A. Norris, President of the Lincoln National Bank, Washington, D. C.; Richard A. Aishton, Vice-President, Continental Illinois National Bank and Trust Company, Chicago; and Frank L. King, President of California Bank, Los Angeles.

The Committee is being assisted by Walter French, Deputy Manager, American Bankers Association, New York City; Barney J. Ghiglieri, President of the Citizens National Bank, Toluca, Illinois; and Carroll A. Gunderson, Deputy Manager, American Bankers Association, Washington, D. C.

Mr. Chester A. Rude, Chairman, Executive Commitee, Security-First National Bank, Los Angeles, is Chairman of the Regional Appraisal Committee, which is made up of the following: Robert G. Emerson, Senior Vice-President, First National Bank of Boston, Boston, Massachusetts; (alternate, John C. Garland, Vice-President, First National Bank of Boston); Vincent Yager, Vice-President, Harris Trust and Savings Bank, Chicago, Illinois; Milton Brown, President, Mercantile National Bank, Dallas, Texas; (alternate, J. D. Francis, Senior Vice-President, Mercantile National Bank of Dallas); Edward C. Sammons, President, The U. S. National Bank, Portland, Oregon; John B. Welborn, Vice-President, First National Bank of Denver, Denver, Colorado; William L. Day, President, The Pennsylvania Company, Philadelphia, Pennsylvania; (alternate, Harold W. Scott, Vice-President, Pennsylvania Company for Banking and Trusts, Philadelphia, Pennsylvania); Herman Jones, Jr., Executive Vice-President, First National Bank, Atlanta, Georgia.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Directors of the **National City Bank, New York,** voted on Feb. 2 to increase the bank's surplus from $170,000,000 to $200,000,000 by transfers of $10,000,000 from reserves and $20,000,000 from undivided profits.

Combined capital and surplus will total $350,000,000 after the change. Total capital funds, including undivided profits, will now be $403,000,000, up $10,000,000 from the close of the year on account of the transfer of reserves.

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John C. Lewis has been appointed a Vice-President of **Manufacturers Trust Company, New York,** it was announced on Feb. 3 by Horace C. Flanigan, President. In his new capacity Mr. Lewis will be Supervising Officer of the Banks' 14 offices in the Borough of Queens. He will succeed George M. Bragalini who recently was appointed City Treasurer by Mayor Wagner.

Mr. Lewis came to Manufacturers Trust Co. in 1931. In 1938 he was appointed Manager of the Harlem office of the bank and in 1941 was advanced to Assistant Secretary. Mr. Lewis was appointed Officer-in-Charge of the new Jackson Heights office when it opened in November, 1950. A year later he was appointed an Assistant Vice-President and placed in charge of the Melrose office, 360 East 149th Street, the Bronx.

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George E. Allen and David H. Marx have been elected to advisory board of the 29th Street at Fifth Avenue office of **Chemical Bank & Trust Co., New York,** it was announced on Feb. 2 by N. Baxter Jackson, Chairman.

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Walter E. Kolb, President of the **Industrial Bank of Commerce, New York,** announced on Jan. 27 election of James H. McQuilkin and Malcolm A. Angus, as Vice-Presidents. George A. Onderdonk becomes Assistant Vice-President, William A. Regan, Assistant Treasurer, and George Roe, Assistant Auditor.

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Kempton Dunn, President and a director of American Brake Shoe Company, was elected a trustee of **The Franklin Savings Bank of the City of New York,** it was announced on Feb. 2 by Stuart A. Lyman, President of the bank.

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A proposed consolidation of the **Great Neck Trust Co., Great Neck, New York** and **The Franklin National Bank of Franklin Square, New York,** under the name and charter of **The Franklin National,** was jointly announced on Jan. 27 by James K. Ryan and Arthur T. Roth, Presidents of their respective institutions.

Meetings of the boards of directors of both banks have been held and both have unanimously approved the consolidation. The Office of the Comptroller of the Currency has given preliminary approval subject to the approval of the agreement of consolidation by the stockholders.

The new institution will have total resources of about $213,000,000 upon completion of the consolidation. The resources of The Franklin National Bank on Dec. 31, 1953, were $196,000,000 and those of the Great Neck Trust Co. of Great Neck were $17,000,000.

Mr. James K. Ryan will become Vice-President in charge of the Great Neck office and a director of the consolidated bank.

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Albert D. Haff, Chairman of the Board of Directors of the **Bank of Babylon, New York,** died on Jan. 31 at his home in West Islip. His age was 84.

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By a stock dividend effective Jan. 18, the common capital stock of **The Peoples National Bank of Barre, Vermont** was increased from $200,000 to $300,000.

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At the annual meeting of the **Palisades Trust Company, Englewood, New Jersey,** a stock dividend of 25% was authorized, payable March 1, 1954 to stockholders of record at the close of business Feb. 10, 1954. Dr. Frank C. McCormack was elected to the board of directors. All other directors were re-elected.

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The common capital stock of the **Peoples National Bank of New Brunswick, New Jersey** was increased by a stock dividend effective Jan. 18 from $300,000 to $600,000.

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A modern branch office of the **Provident Trust Company of Philadelphia, Pa.** opened on Feb. 2 at 3701 North Broad Street.

The new branch is Provident's sixth banking office to be opened in the Philadelphia area.

John Shaw, Assistant Treasurer, is Manager and Carl Flood, an Assistant Treasurer, is Assistant Manager.

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An increase from $400,000 to $600,000 in the common capital stock of the **First National Bank in Greensburg, Pa.** was made effective Jan. 19 by a stock dividend.

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Effective Jan. 20 the common capital stock of **The National Bank of Chester Valley, Coatesville, Pa.** was increased from $200,000 to $400,000.

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A stock dividend effective Jan. 22 increased its common capital stock from $3,400,000 to $3,740,000 of the **American Security and Trust Company, Washington, D. C.**

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National Bank of Commerce, Norfolk, Va., announced on Jan. 13 the promotions of officers as follows: Senior Vice-Presidents of Banking Department—E. D. Denby, C. M. Etheridge (and Cashier), R. H. Moore and I. T. Van Patten, Jr.; Vice-President and Senior Trust Officer of Trust Department—E. R. MacKethan; Vice-President and Investment Officer, W. T. Hastings, Jr., and Vice-President and Trust Officer, E. H. Neyhard.

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The City National Bank & Trust Company of Columbus, Ohio, by a stock dividend, increased its common capital stock from $2,000,000 to $2,500,000.

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The Third National Bank and Trust Company of Dayton, Ohio increased its common capital stock from $2,000,000 to $2,200,000 by a stock dividend effective Jan. 18.

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Jerome F. Kutak, Executive Vice-President of the Guaranty Reserve Life Insurance Co. of Hammond, Ind., has been elected a new director of the **South East National Bank of Chicago, Ill.,** Clarence A. Beutel, Sr., President, has announced.

Mr. Kutak succeeds D. Claude Luse who retired because of illness after serving the bank as director from its organization in 1935.

The board of directors of the South East National Bank also announced appointment of two new officers: Ernest W. Kilgore was named Vice-President and Joseph Wahala was elected Assistant Vice-President. Both men have been associated with South East for more than 12 years.

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The Central National Bank in Chicago, Ill. increased its common capital stock from $1,600,000 to $2,000,000 by a stock dividend effective Jan. 21.

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A stock dividend effective Jan. 22 increased the common capital stock of **Oak Park National Bank, Oak Park, Ill.** from $400,000 to $600,000.

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By a stock dividend the **First National Bank of Joliet, Ill.** increased its common capital stock from $400,000 to $600,000 effective Jan. 20.

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The common capital stock of **The First National Bank in Champaign, Ill.** was increased from $150,000 to $300,000 effective Jan. 19 by a stock dividend.

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The Merchants National Bank of Winona, Minn. increased its common capital stock effective Jan. 19 by a stock dividend.

* * *

The common capital stock of **The Commercial National Bank of Little Rock, Ark.,** was increased from $600,000 to $1,200,000 by a stock dividend.

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At the annual meeting of the stockholders of **The Boatmen's National Bank of St. Louis, Mo.** on Jan. 12, all of the directors were re-elected and Robert A. Niemann, Cashier, was elected a member of the board.

At the meeting of the new board, held on the same day, Harold T Jolley, who has been President since January, 1947, did not allow his name to be placed in nomination for the Presidency, and was elected Vice-Chairman of the Board.

Harry F. Harrington, an employee since September, 1915, former Auditor, Vice-President since March, 1937, and a director since 1947, was elected President.

Royal D. Kercheval, having asked to be relieved of his duties as Trust Officer, was elected Senior Vice-President of the bank. To succeed Mr. Kercheval as head of the Trust Department, David H. Morey, an employee since 1931, and a Vice-President since January, 1944, was elected Vice-President and Trust Officer.

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James E. Hollingsworth and Robert E. McConnell were elected directors of the **First National Bank in Palm Beach, Fla.** at the annual stockholders meeting held Jan. 26.

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The First National Bank of Birmingham, Ala. announces the election of James S. Crow, Jr. as Assistant Cashier in their Bond Department.

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Effective Jan. 20, **The American National Bank of Austin, Texas,** increased its common capital stock from $1,000,000 to $1,500,000.

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Peoples State Bank of Kountze, Kountze, Texas was admitted to membership by the Board of Governors of the Federal Reserve System.

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The United States National Bank of Denver, Colo. announced changes and additions to its staff effective Jan. 12, as follows: Chairman of the Board, Albert N. Williams, Sr.; President, Roger D. Knight, Jr.; Executive Vice-President, Neil E. Roberts; Vice-Presidents: Raymond C. Erickson, John D. Hershner and George D. Schweigert. The stockholders at their annual meeting elected Neil F. Roberts and Emmett J. Dignan to the board of directors.

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The promotion of one officer and the appointment of six other members of the staff to official positions with the **Anglo California National Bank of San Francisco, Calif.** were announced on Jan. 28 by Allard A. Calkins, Chairman of the Board.

The promotion is that of Herbert B. Drake to Vice-President. The appointments are: Max E. Teagarden, Assistant Vice-President, contract department; A. Northrup George, John R. Healy and W. Edward Searing, Assistant Cashiers, head office; Francis E. Barton, Assistant Trust Officer, head office; and Frank D. Magers, Assistant Manager, Oakland main office.

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Herman F. Hahn, 52, President of **Union Bank & Trust Co. of Los Angeles, Calif.** died on Jan. 28, following an illness of several months duration.

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Occidental Savings & Commercial Bank, Los Angeles, Calif. was admitted to membership by the Board of Governors of the Federal Reserve System.

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Mr. Joshua Green, Jr., President of **Peoples National Bank of Washington,** following the directors meeting on Jan. 19, announced the election of: Mr. Roland P. Diddams, Assistant Manager, First Hill branch; Mr. Virgil A. Gamlem, Assistant Manager, South Seattle branch; Mr. Glenn E. Schneider, Pro-Manager, Dexter & Broad branch; Mrs. Emma D. Edinger, Pro-Manager, Hoquiam Branch; and Mrs. Jaunita K. Beckstrom, Pro-Manager, Soap Lake branch.

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The Old National Bank of Spokane, Wash. increased its common capital stock from $2,000,000 to $2,500,000 by a stock dividend effective Jan. 20.

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The Bank of Las Vegas, Las Vegas, Nev. was admitted to membership by the Board of Governors of the Federal Reserve System.

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F. N. Belgrano, Jr., Chairman of the Board and President of Transamerica Corporation, announced, subject to the final approval of the Comptroller of the Currency in Washington, D. C. and the Superintendent of Banks of the State of Oregon, the sale of the banking business of 15 Oregon banks with 18 offices substantially owned by Transamerica to **The First National Bank of Portland, Oregon,** effective Feb. 8, 1954. The 18 offices of these banks will become branches of the First National Bank in the following Oregon cities: Carlton, Corvallis, Cottage Grove, Eugene, West Eugene, Forest Grove, Lebanon, Monroe, Ontario, Philomath, Portland, Prineville, Scio, Seaside, Silverton, Springfield, Sweet Home, and Yamhill.

These additions will give the First National Bank of Portland 67 banking offices in Oregon. Mr. Belgrano stated that, based upon deposit figures as of Dec. 31, 1953, the First National with these additions will become the 23rd largest bank in the United States. Transamerica Corporation and its subsidiaries own approximately 67% of the capital stock of that bank.

It is the intention of The First National Bank of Portland to call a special meeting of its stockholders on Feb. 23, 1954 for the purpose of considering a proposal made by its board of directors to increase its capital funds by $16,000,000. If approved, 400,000 additional shares of stock will be issued and stockholders of record at the close of business on Feb. 26, 1954 will be given the right to purchase an additional share for each three shares then owned, at the subscription price of $40 per share.

The board of directors has indicated its intent to establish an annual dividend rate of $2 per share on the 1,600,000 shares of stock to be outstanding when the financing is completed.

Mr. Belgrano said that upon completion of this plan, The First National Bank of Portland will have capital of $20,000,000, surplus of $30,000,000 and undivided profits of approximately $10,00,000. Its deposits will be approximately $720,000,000, its loans approximately $360,000,000 and its total assets in excess of $790,000,000, making it the largest bank in the Pacific Northwest.

Railroad Securities

Southern Railway

The honor of affording the first 1954 agreeable dividend surprise fell last week to Southern Railway. In addition to the $0.62½ quarterly that has been paid regularly since the stock was split two-for-one last year, directors declared an extra dividend of $1.00 a share. In the opinion of railroad analysts generally, the amount involved is not nearly so important as the favorable implications as to the confidence of the management and the fact that finances, property improvements, and debt reduction have progressed to the point where stockholders may expect to participate to a greater extent in the current high earnings.

Southern Railway has come a long way in recent years. It is now generally conceded that the once formidable 1956 bond maturities no longer loom as a serious problem. As of the end of 1952 these maturities had been reduced to $78,212,000. As a result of a call for tenders early last year an additional $11,552,000 was retired and throughout the rest of the year the company continued to buy in bonds when available at reasonable prices. As a result of these operations it is believed that the total had been reduced to somewhat less than $60 million by the end of 1953. In comparison, recent balance sheets show cash and equivalent of over $100 million, with additional liquid funds held by wholly owned subsidiaries.

It is not only in point of finances that Southern has bolstered its position in the postwar years. Physical plant has also been improved substantially. The property has been fully dieselized. Mechanization of maintenance has been pushed strongly, and is still going forward. Perhaps the most important part of the program, both from the standpoint of improved service and greater operating efficiency, has been the comprehensive yard modernization program. This, also, is still going forward.

Reflecting these property improvements and the acquisition of a large amount of new equipment, the transportation ratio last year was down to 30.7%. This represented a cut of approximately two points from a year earlier and compared with an average of close to 39% in the immediate postwar years. Similarly, the pretax profit margin, which ran around 15% in 1947 and 1948, had increased to 23.3% in 1952 and on the basis of preliminary figures is indicated at 24.8% for last year. The magnitude of what has been accomplished is obvious when it is considered that each point in these ratios is equivalent to about $1.00 a share on the road's common stock, before Federal income taxes.

A final favorable aspect of the Southern Railway picture is the dynamic growth characteristics of the service area. The lines literally cover the southeastern section of the country and this territory has been expanding industrially consistently and sharply for quite a number of years. Reflecting the expansion in the traffic potential of the area as well as the improvement in operating efficiency, Southern's earnings last year pushed ahead to a new record high. Per share results came to $11.62 compared with $9.56 a share realized in 1952. Obviously if earnings are to stay anywhere near these levels holders of the common stock appear justified in looking forward to an increase in the regular dividend rate in the not too distant future.

Many analysts are confident that earnings of Southern will be very well maintained in the face of the current recession in our general economy. It is pointed out that the impact of the decline in business will be cushioned in the case of Southern by the continuing industrial expansion in its territory. Thus, gross should experience a less-than-average dip. In addition, there are expected to be continuing cumulative benefits from the property improvement program, and particularly the terminal modernization, so that there should be a further gain with respect to operating efficiency. While it is much too early to make any accurate estimate of what earnings may be for the full year 1954, there are analysts who feel that on the basis of the above considerations it is not overly optimistic to look for perhaps as much as $10.00 a share this year.

Continued from first page

As We See It

of an expanding economy with maximum employment and without price inflation."

* * *

"It is well to recall the accumulated experience of generations which has taught us that no government can of itself create real and lasting prosperity. A thriving economy depends fundamentally on the enterprise of millions of individuals, acting in their own interests and in the interest of their families and communities. The American people are highly skilled, imaginative, enterprising and forward looking. The best service that the Government can render to our economy . . . is therefore to create an environment in which men are eager to make new jobs, to acquire new tools of production, to improve or scrap the old ones, design new products and develop new markets, increase efficiency all around and thus to be able and willing to pay higher wages and provide better working conditions."

If these general statements stood by themselves or if they were not accompanied by other statements which all too frequently seem to compromise their excellence, few would take strong exceptions. But reading further we soon come to such sentences as these:

"The demands of modern life and the unsettled status of the world require a more important role for Government than it played in earlier and quieter times."

* * *

"To help build a floor over the pit of personal disaster, Government must concern itself with the health, security and welfare of the individual citizen."

* * *

"Government must use its vast power to help maintain employment and purchasing power as well as to maintain reasonably stable prices."

* * *

"The arsenal of weapons at the disposal of Government for maintaining economic stability is formidable. It includes credit controls administered by the Federal Reserve System; the debt management policies of the Treasury; authority of the President to vary the terms of mortgages carrying Federal insurance; flexibility in administration of the budget; agricultural supports; modification of the tax structure; and public works. We shall not hesitate to use any or all of these weapons as the situation may require."

Somewhat the same type of mixture of good and bad as that displayed in the general discussions of policy is plainly in evidence in the recommendations for immediate action on the part of Congress. Here again we quote:

"There are two classes of actions that we should take within the current year to build a stronger economy.

"First we should take bold steps to protect and promote economic stability — by modernizing unemployment insurance; by broadening the base and benefits of old-age and survivors insurance; by permitting a longer 'carry-back' of losses for tax purposes; by granting broad discretionary authority to the Executive to alter, within limits and appropriate to changing circumstances, the terms of governmentally insured loans and mortgages; by establishing a secondary home mortgage market; and making improvements in the planning of public works programs.

"At the same time we should take action to stimulate the expansive power of individual enterprise — by revising the tax laws so as to increase incentives and to remove certain impediments to enterprise, especially of small business; by improving credit facilities for home building, modernization and urban renewal; by strengthening the highway system; and by facilitating the adjustments of farming to current conditions of demand and technology."

A Mixture of Good and Bad

Certainly no one is likely to condemn such programs as these as wholly bad, and few, we believe, who understand such matters would for a moment endorse them all as wholly good. Some of them may be partly good and partly bad. Others may be either good or bad depending upon precisely what is done and how it is done. Heaven knows our tax system needs a most careful and thorough overhauling, but, of course, there are helpful and there are harmful changes which might be made in the existing system. The plans of the Administration in this matter are not yet known in sufficient detail to permit definite appraisal.

There can be no question that we have very serious highway problems on our hands. More and better roads are essential at the earliest feasible date if we are to continue to develop in the future as we have been doing in the past. There is every reason to approve reasonable programs for achieving such an end. But there are various ways of attacking the problem and various degrees of efficiency in solving it. We hope we are not mistaken in believing that the present Administration will prove itself more interested in getting the highway facilities we need than in merely creating work.

We cannot but regret the presentation of various "welfare" programs as ways and means of promoting economic stability, economic growth and economic prosperity. Why not let "social security" plans and changes in them be debated on their own merits as humanitarian measures rather than to make use of obviously weak arguments that they somehow tend to promote economic stability or economic growth? Still more elaborate subsidization of housing is obviously of very seriously doubtful economic validity in any event; it can scarcely be justified as a means of promoting long-term economic progress.

And who is able to escape a pang of uneasiness when credit policy, fiscal manipulation and the like is brought into the discussion?

Continued from page 3

The State of Trade and Industry

tent of its key competitor, Chevrolet. Ford worked two out of its 15 assembly plants last Saturday, compared with four out of 15 in the previous week.

Since last June, Ford has operated, except during model changeover, two assembly plants on double shifts and 13 plants on one shift 9½ hour overtime schedules, plus Saturday work for most of them.

Now, the report states, Ford hints, this is over. Said a spokesman: "A runaway market just isn't in the picture; so we can keep up with the market and still use less overtime."

In January, auto manufacturers turned out 458,612 cars and 98,666 trucks, "Ward's" states. This compares with 465,744 cars and 111,531 trucks in January, 1953, the same source notes.

With respect to consumer credit, the Federal Reserve Board reported that it rose to a new high in December, but the rate of increase slowed sharply compared with a year earlier. Consumer short-term debt climbed $644,000,000 during the month. This brought the total outstanding to $28,800,000,000—more than $3,000,000,000 greater than at the close of 1952. The December increase, however, was only about half as large as the $1,200,000,000 addition in December, 1952.

Steel Output Scheduled to Show Modest Decline This Week

Steel ingot production continues to ebb slightly, says "Steel," the weekly magazine of metalworking, but if the present rate of operations can be maintained, 1954 output will be exceeded by only three other years. They are the war-stimulated years of 1950, 1951 and 1953.

In the month just ended—January—ingot output totaled approximately 7,800,000 net tons. At that rate, a year's output would be 94,000,000 tons. January was not one of the best months either. It was lower than the preceding one; which also was slow in comparison with the pace of earlier 1953, the December output being 7,937,000 tons. In fact, a monthly figure as low as 7,800,000 tons has not been recorded since the strike-ridden month of July, 1952, this trade journal adds.

Nearly all of January saw a slowly declining rate of ingot production, the week ended Jan. 31 being the third consecutive one in which the pace eased off. The national rate that week was 73% of capacity, or a 1-point reduction from the preceding week, "Steel" continues.

Now that the steel industry has more time on its hands it is not sitting on them. Allegheny Ludlum Steel Corp. of Pittsburgh, is bringing out new products and exploring new markets to strengthen its market position, while Youngstown Sheet & Tube Co. is starting to rebuild and enlarge the blooming mill at its Brier Hill Works, Youngstown, declares this trade weekly.

The reduced demand for steel, it concludes, is not only spurring mills to absorb some of the charges for delivering steel to customers but it is bringing pressure to reduce or waive some of the extras. Base prices are remaining firm, however, and as a result, "Steel's" price composite on finished steel is unchanged at $113.91 a net ton.

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 73.9% of capacity for the week beginning Feb. 1, 1954, equivalent to 1,762,-000 tons of ingots and steel for castings, as against 1,802,000 tons and 75.6% (actual) a week ago.

The industry's ingot production rate for weeks in 1954, is now based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

For the like week a month ago the rate was 75.4% and production 1,798,000 tons. A year ago the actual weekly production was placed at 2,202,000 tons and the operating rate was 97.7% 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 Declines Further in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Jan. 30, 1954, was estimated at 8,855,000,000 kwh., according to the Edison Electric Institute.

The current figure represents a decrease of 121,000,000 kwh. below the preceding week, but an increase of 705,000,000 kwh., or 8.6% over the comparable 1953 week and 1,283,000,000 kwh. over the like week in 1952.

Car Loadings Continue to Drop Below Previous Week And Year Ago

Loadings of revenue freight for the week ended Jan. 23, 1954, decreased 2,645 cars, or 0.4% below the preceding week, according to the Association of American Railroads.

Loadings totaled 617,226 cars, a decrease of 80,289 cars, or 11.5% below the corresponding 1953 week, and a decrease of 110,789 cars or 15.2% below the corresponding 1952 week.

U. S. Auto Output Registered a Falling Off In Latest Week

Automobile output for the latest week declined below that of the previous week, according to "Ward's Automotive Reports."

The industry turned out an estimated 112,560 cars last week, compared with 113,532 (revised) in the previous week. A year ago the weekly production was 117,654.

Last week, the agency reported, there were 24,211 trucks made in this country, as against 24,276 in the previous week and 23,483 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 8,720 cars and 1,400 trucks last week, against 7,625 cars and 1,435 trucks in the preceding week and 7,629 cars and 1,523 trucks in the comparable 1953 week.

Business Failures Continue Advance

Commercial and industrial failures rose to 233 in the week ended Jan. 28 from 208 in the preceding week, Dun & Bradstreet, Inc., states. At the highest level since April, 1942, casualties were up considerably from the 162 and 164 which occurred in the comparable weeks of 1953 and 1952. However, mortality remained 39% below the prewar level of 385 in 1939.

Failures with liabilities of $5,000 or more increased to 195 from 171 last week and exceeded the 126 of this size a year ago. Meanwhile, little changes appeared among small casualties with liabilities under $5,000. Sixteen concerns failed with liabilities in excess of $100,000, as compared with 13 last week.

Manufacturing, wholesaling and construction accounted for the week's upturn in casualties, with the sharpest rise centered in wholesaling where failures climbed to 32 from 19. Milder increases lifted the manufacturing toll to 56 from 40 and construction to 30 from 24. In contrast, retail mortality dipped to 98 from 104 and commercial service to 17 from 21. All industry and trade groups had heavier casualties than last year; the most notable rises from the 1953 level occurred among wholesalers and service establishments.

Geographically, failures increased during the week in five of the nine regions, including the South Atlantic States where they jumped to 40 from 12, the Middle Atlantic States, up to 76 from 66, and New England, up to 18 from 8. Casualties were moderately lower in the East and West North Central Regions, as well as in the Pacific States which had a total of 54 as against 65 in the preceding week. More businesses failed than last year in all areas except the East South Central States where failures held steady and the West South Central where a slight dip from 1953 prevailed.

Wholesale Food Price Index Resumes Upward Course

Following the downward movement of a week ago, the Dun & Bradstreet wholesale food price index resumed its upward trend to stand at $7.02 on Jan. 26, against $6.96 on Jan. 19. The latest figure compares with $6.22 a year ago, or an increase of 12.9%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Reflects Little Change in Latest Week

The general commodity price level held in a fairly narrow range the past week. The daily wholesale commodity price index compiled by Dun & Bradstreet, Inc., registered 275.83 on Jan. 26, against 275.11 a week previous and 279.32 on the like date a year ago.

Leading grain markets were generally stronger last week. Trading in wheat was more active with buying stimulated by firmness in the cash markets, a reduction of red wheat stocks at Chicago and Kansas City, and the belief wheat will continue to be supported at 90% of parity. The advance in corn was attributed to light receipts of the cash article and the extremely cold weather in the corn belt which has necessitated heavy feeding operations. The upturn in rye prices reflected continued light offerings and the prospect of limitations on rye imports. Oats advanced in sympathy with other grains but small offerings held trading to a minimum.

Trading in grain and soybean futures on the Chicago Board of Trade last week reached a daily average of about 47,400,000 bushels, against 48,800,000 the week before, and 39,300,000 in the same week last year.

Bookings of hard Winter wheat flour reached a moderate volume last week under buying influenced largely by the dwindling balances held by bakers and other large users.

Business in Spring wheat flour was confined to urgent replacements. Interest in rye flour picked up a bit as mills protected against a price advance of 10 cents a cwt. Following the break of last week, coffee prices resumed their upward course to show a moderate gain for the week.

Brazil support was less active and some trade selling developed as the result of talk of consumer resistance to prevailing prices.

Cocoa was irregular and finished sharply lower although the market closed on a firmer basis as the result of limited offerings. Earlier weakness reflected general trade selling, influenced by weakness abroad and the possibility of increased consumer resistance. Lard scored modest advances, aided by the firmer tone in hogs and grains. Light receipts were responsible for the rise in hogs which reached the highest January levels since 1948. Lamb values were up slightly for the week; steers finished moderately lower.

Spot cotton prices continued the mildly upward trend of the past few weeks. Supporting factors included the continued heavy movement of the staple into the Government loan, and the expectation of tightness in free supplies later in the season.

Trading in spot markets was moderate. Inquiries continued numerous and mill buying was fairly active.

Loan entries in the week ended Jan. 15 were reported at 282,700 bales, bringing total entries for the season to that date to 6,085,000 bales. The daily average use of cotton showed a seasonal decline in December. The average daily rate last month was 32,200 bales, against 35,100 in November, and 36,400 in December 1952.

Trade Volume Remains Static the Past Week

While shoppers spent about as much in the period ended on Wednesday of last week as during the preceding week, interest was not quite as high as in the early part of January when attractive clearance sales stirred wide interest. Merchants were generally encouraged by the favorable response to the "white sales" of household textiles.

While retailers were generally unable to surpass the sales figures of a year ago, most food stores chalked up year-to-year gains.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 3% below to 1% above the corresponding level of a year ago. Regional estimates varied from the comparable 1953 levels by the following percentages: New England and Midwest —1 to —5; East 0 to —4; South —1 to +3; Northwest —3 to +1; Southwest and Pacific Coast 0 to +4.

The recent spirited interest in apparel faltered somewhat last week as the buying of Winter wear began to decline. While early promotions of Spring styles in the South and Southwest stirred mild interest, there were increasing signs of a between-season lull. The most consistent year-to-year gains in the sales of apparel were scored by retailers of children's wear. The call for casual clothing remained high.

The total spent for apparel did not match the high level of a year ago.

Housewives bought about as much food as during the preceding week with total sales of food stores remaining slightly higher than a year-ago. Aggressive promotions of beef, particularly by supermarkets, held the consumption level above the year-ago level.

Consumer resistance to coffee prices developed in some areas, and was reflected in the rising demand for tea and various coffee substitutes.

The volume of wholesale sales in the week edged up slightly from the level of the preceding week but continued to be somewhat below the high level of a year ago. Buyers continued to place orders on a shorter-term basis than in the previous year and some sought price concessions.

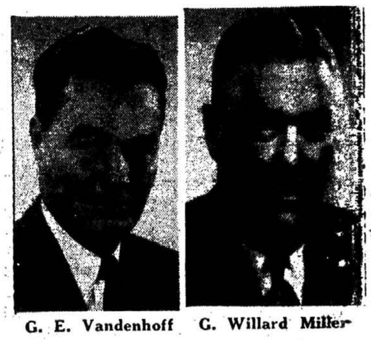
Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index, for the week ended Jan. 23, 1954, advanced 1% above the level of the preceding week. In the previous week, Jan. 16, 1954, a decline of 8% was reported from that of the similar week in 1953. For the four weeks ended Jan. 23, 1954, no change was reported. For the year 1953, department store sales registered an increase of 2% above the corresponding period of 1952.

Retail trade volume in New York last week exceeded that of the like period one year ago by about 5%, according to trade observers.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Jan. 23, 1954, registered an increase of 9% from the like period of last year. In the preceding week, Jan. 16, 1954, a decline of 14% (revised) was reported from that of the similar week of 1953, while for the four weeks ended Jan. 23, 1954, no change was reported. For the year 1953, a decrease of 1% was registered from that of the 1952 period.

Dean Witter Co. Admits Partners

SAN FRANCISCO, Calif.—Dean Witter & Co., 45 Montgomery Street, members of the New York Stock Exchange, announced that



G. E. Vandenhoff G. Willard Miller

effective Feb. 1, 1954, William B. Boone, Portland, and George E. Vandenhoff, Beverly Hills, have been admitted to general partnership. Edward B. Hall, Chicago, Malcolm Smith, Los Angeles and Rea L. Eaton of San Marino have been admitted to limited partnership.

At the same time the firm announced that G. Willard Miller, one of the original partners of Dean Witter & Co. has become a limited partner. Mr. Miller was the first Chairman of the Board of Governors of San Francisco Stock Exchange. Before the formation of Dean Witter & Co. he was associated with Cyrus Pierce & Co., later known as Pierce Fair & Co.

William Boone, Manager of the Portland office of Dean Witter & Co. who was elected a general partner, started his business career in 1935 in San Francisco office of Dean Witter and later transferred to the Portland office. Mr. Vandenhoff has been with Dean Witter & Co. for the past 16 years and will continue to serve as resident partner of the Beverly Hills office.

Edward Hall, limited partner, was formerly President of Harris, Hall & Co., Chicago, before its recent merger with Dean Witter & Co. Malcolm Smith, of Los Angeles, elected a limited partner, has been prominently identified with the securities business for many years. He is a former partner of Glore, Forgan & Co., New York, and is presently a Director of several corporations, including the Spencer Chemical Company, Kansas City, and the Byron Jackson Company of Los Angeles. Rea Eaton, who has discontinued active participation in the firm and was elected a limited partner was the Manager of the San Marino, Calif. office of Dean Witter for the past 10 years.

Wm. Fiedler Joins Hemphill, Noyes & Co.

William A. Fiedler has joined the securities firm of Hemphill, Noyes & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, it was announced Jan. 29. Mr. Fiedler was with H. M. Byllesby and Company, Incorporated for 20 years, and spent the last 12 years as Sales Manager of the New York office.

Shearson, Hammill Branch

SANTA BARBARA, Calif. — Shearson, Hammill & Co., members of the New York Stock Exchange, have opened a branch office at 1006 Anacapa Street under the management of Francis B. Manchester.

Public Utility Securities

By OWEN ELY

Notes on Five Utility Holding Companies

Included among the activities of the Eastern Regional Conference of the New York Society of Security Analysts was a field trip to the offices of five utility holding companies in the New York financial district. These included two southern companies—Middle South and Southern Company; one in the Middle Atlantic area—General Public Utilities; and two in Central Industrial territory—American Gas & Electric and West Penn Electric. Other integrated holding companies which do not maintain New York offices are Central & South West (Chicago), Texas Utilities (Dallas), and the two New England holding companies (Boston and Cambridge).

At each of the holding company offices the usual statistical material was distributed, and talks were made by leading officials, with opportunities afforded for questions. Following is a summary of some of the information gleaned at these meetings.

In contrast with former years, the Presidents of these companies were somewhat reluctant to pin-point their estimates of 1954 earnings, but in general felt that they would be able to maintain earnings at around the 1953 levels despite any moderate setback in business. Several of them indicated that they do not expect to do any equity financing this year. By thus avoiding further dilution, share earnings can be better maintained. However, this does not indicate any important change in long-term construction plans. The SEC is now permitting the parent holding companies to borrow moderately, and several have already arranged for bank loans, the proceeds of which will furnish equity funds for subsidiaries in 1954.

Despite recent fears in some quarters over mounting unemployment and the difficulty of selling automobiles and appliances, these utility companies remain optimistic regarding the continued growth of their industry. This is not mere guess-work, but is based on a careful study of population gains and the indicated intention of new industrial units to build in their service areas.

General Public Utilities, the first company visited, is proud of the engineering and financial progress accomplished in recent years. By the end of 1954 the System should have in operation three or four of the most efficient generating units in the country, according to President Tegen. Babcock & Wilcox "cyclone" furnaces are being installed in several plants in New Jersey. The System's industrial business is well diversified and its New Jersey subsidiaries expect to benefit by the Garden State Parkway. The entire system is being completely interconnected with transmission lines, so that eastern companies with high-cost coal can get the benefits of low-cost fuel in the western area. The System has attained an equity ratio of close to 39%, which they expect to maintain.

The Philippine property, Manila Electric, contributes 20¢ of the $1.70 dividend rate. The property has been virtually rebuilt since the war and is the most efficient system in the Orient. Eventually this property may be disposed of, but only if an adequate price is obtainable.

West Penn Electric officials indicated that despite some recent loss of industrial business due to 75% steel operations in their area, earnings for the common stock are being maintained. They pointed out that the System obtains 37% of its revenues from residential and rural customers—a slightly higher ratio than for all utilities. Residential load has grown faster than industrial. Moreover, the industrial business is now becoming better diversified. Hence, they did not express any concern over the present industrial conditions. The company does not expect to do any equity financing in 1954, and possibly none in 1955.

Southern Company's area has been growing considerably faster than the U. S. as a whole. The System has spent nearly half a billion dollars on construction during 1948-53, and about 40% of the new securities sold have been common stock, thus raising the equity ratio from 22% to 30%. However, there will be no equity financing this year, the parent company having arranged for a five-year $15 million bank loan. The directors recently considered a possible dividend increase, according to Chairman Yates, but decided to take no action at this time. The long-term outlook for earnings and dividends is considered quite favorable, however.

President Sporn of **American Gas & Electric** presented a number of charts covering the electric utility industry as a whole, and the American Gas & Electric System. Some of the forecasts were carried as far into the future as 1968. Mr. Sporn was highly optimistic regarding the long-term increase in residential revenues through further sales of major electric appliances such as ranges, water heaters and clothes dryers. He considered the heat pump, providing year-round heating and cooling with the same equipment, to be an important future load builder—possibly increasing annual residential use from the present figure around 2300 kwh. to 5-6000 or more by 1968. He felt that his own system, which is in the forefront of engineering progress, would benefit by these trends, but did not give any specific forecasts of earnings.

Middle South Utilities serves an area about one-sixth of the south in Louisiana, Arkansas and Mississippi. Postwar growth has been very rapid, with 1953 output nearly three times as great as in 1946. This growth has been due to rapid industrialization as well as a more productive farm economy. The common stock equity now approximates 35%. Dividends have been increased three times in the past five years to the present rate of $1.40. President Dixon predicted gains in output in 1954 as follows: residential and rural 9%, commercial 6%, and industrial 14% (part of the latter being accounted for by the Reynolds plant). In his talk, he emphasized the "local autonomy" of the operating company managements—i. e., officers of the parent company do not try to dictate answers to all operating problems, but to act as a catalyst in reaching solutions.

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Business, Not Government, Has Responsibility for Prosperity

the premiums on the most important insurance policy in the world—a policy that insures America's future prosperity.

Now that is what American business can do—and in doing—to prevent depression. It is the only way that I know of, to increase, the earning power, the purchasing power, and the living standard of all of our people, in every walk of life. And it is our job. No government can do it for us.

But government does have a vital job to do in connection with this process, and I would like to discuss it with you here for just a moment.

We all know that these billions of dollars which are being poured into new plants and equipment have to come—directly or indirectly—from people who are willing to risk their savings in productive enterprise. And if this process is to continue rapidly enough to meet the needs of our growing population, and to prevent recession, then government must do two things:

First, it must maintain an economic atmosphere which will encourage an ever-increasing flow of private investment. And, second, it must create an atmosphere which will encourage and enable American business to operate at peak efficiency by scrapping obsolete, labor-wasting facilities even though they are not worn out and have not been fully depreciated. Failure to do this deprices the worker of the power to produce more and to earn more, and it deprives the consumer of the opportunity to buy more goods, and better goods, at the lowest possible prices.

Unfortunately, however, this encouraging economic atmosphere does not prevail in this country today. For many years our tax laws have been based on the destructive proposition that anything which is bad for business is automatically good for the country.

But now, after all these years, the government is trying to correct this situation. It has come to understand, I think, that nothing which is bad for any group of its citizens can possibly be good for any other group, or for the country as a whole. And so it is striving, conscientiously, to give everyone in the nation an incentive to do "a little more for himself, for his family, and for each generation" as Secretary Humphrey has put it.

To that end, Congress is now working on a complete revision of the tax laws. The amendments it is considering are designed to encourage farmers, workers, housewives, dependents, businessmen, investors, and every other economic and occupational group in this country, to increase their productive efforts, and thus to enlarge their own rewards. And if such a revision can be accomplished with fairness to each of these groups, and with a real understanding of the problems and the needs of all of them, then—in my humble opinion—it will do more to promote prosperity in this country than all of the deficit spending, and all of the make-work schemes that have ever been dreamed up since the beginning of time.

And so, Gentlemen, when we analyze the forces which control this economy of ours, we find, I think, that there are four basic requirements which government can—and should—provide:

First, of course, is peace; for only in peace can any nation grow and prosper without the violent boom and bust that war produces.

Second, Government must provide a stable currency that will not shrink in value with every passing year.

Third, it must preserve competition in a free and open market where the customer alone determines what shall be produced and what he is willing to pay for it.

And **fourth**, in the conduct of its own affairs, government must strive to preserve the maximum possible incentive for all of its citizens so that the ingenuity, ambition and enterprise of the American people may not be impaired or curtailed.

Now the first three of these basic requirements have been met in the past 12 months. We have peace. The purchasing power of the dollar is practically the same as it was a year ago. And we have a free market where the buyer, most decidedly, is boss. So, with these blessing we have been able to achieve the highest level of prosperity that this nation—or any nation—has ever enjoyed in the history of the world.

But when the government has fulfilled the fourth and final requirement—as it is now striving to do—then its job will have been done. From that point on, it is up to us, and the future of business and industry in this country will be exactly what we, ourselves, have made it. The responsibility is ours and we cannot—and will not—deny it.

So far as research and production are concerned, no one can doubt, I believe, that American business has done a magnificent job. But our responsibility does not end with that. We still must sell our products, and our salesmanship, perhaps, is just a little rusty, nowadays.

After all these years of shortages, when people have been fighting to buy our wares, it wouldn't be surprising, of course, if some of us had forgotten just how this gentle art of selling is practiced successfully; so if any of you should find yourselves in that unhappy predicament, let me simply remind you of the clothing store proprietor who was trying to clear out his last winter's stock.

One of the left-over suits was an absolute nightmare to him. It was perfectly tailored and cut from material of the finest quality, but the pattern consisted of enormous checks, and the predominant colors were green, purple and orange.

So as he was going out to lunch, one day, the proprietor called his assistant and said: "Sam, we gotta get rid of that suit. See if you can't figure something to do about it, while I'm gone."

Well, when he got back about an hour later, he found to his amazed delight that the suit had been sold, but the store was a wreck and so was Sam. A whole rack of clothing had been overturned. A showcase was broken. Sam's face and hands were cut and bleeding, and his suit was in shreds.

"Good Heavens, Sam," said the proprietor. "What happened? Did you have to force that suit on the customer?"

"Oh, no," said Sam, "he didn't object at all, but I sure had one helluva scrap with his seeing-eye dog."

Now I don't mean to suggest of course that I approve or recommend Sam's methods, but I'm bound to admit he possessed the true spirit of salesmanship. And we need more of that spirit today if we hope to keep our plants running at top speed.

So, Gentlemen, in concluding these somewhat rambling remarks, let me sum it all up this way:

America today is undergoing that difficult, and sometimes dangerous transition from war to a peace-time economy, and all of us are closely watching every economic index that records a change in business activity.

But prosperity, unfortunately, is not a mere statistic. It is primarily a state of mind; and if we permit anything or anybody to destroy the confidence of the American people, or to undermine their faith in the future, neither we nor the government can prevent a depression.

And that is why I believe that those who are exaggerating and distorting this very minor decline in the level of our prosperity are playing a dangerous game that can never be worth the candle — no matter how helpful this tactic might prove in advancing their private political fortunes.

Now it would be wonderful, of course, if our economy always grew at a steady, unfaltering pace; but that never happens in any nation, anywhere. To me it has always seemed that our economic progress is a good deal like the waves that break over the beach on the incoming tide. Each one comes roaring in, spends itself, and then recedes—but in doing so, it contributes to the volume and the force of the next wave, which always comes in a little farther.

Yet those who spend all their time watching the waves can become so obsessed with this process that they never observe the onward movement of the tide itself. And so it is, I think, with many of our pessimists today. They simply cannot see the tide for the waves.

But think, for a moment, what a revelation it would be to these people if they could read back through the minutes of this Chamber of Commerce, and study all the discussions, reports and resolutions that have occupied the attention of your membership at these meetings during these past 117 years.

In the lifetime of this organization, America has fought and survived six wars. It has suffered disastrous periods of inflation and deflation. It has weathered an endless series of recessions, depressions, and panics. But through it all, this nation has ridden the crest of an unchanging tide that has carried it always higher until today we have reached a standard of living so fabulous that our grandfathers could not have imagined it even in their wildest dreams.

Many times, I am sure, there must have been many of your members who felt that the tide had turned; but of course it never had—and it never will as long as freedom of opportunity and freedom of competitive enterprise continue to exist in this country.

So let no one tell us that we have reached the end of our Golden Age; for this, in truth, is only the beginning. In my opinion we stand on the doorstep of the greatest era of progress this nation has ever seen.

Before us lies the challenging task of taming the atom. We have yet to harness the source of all earthly energy—the rays of the sun; for today, only one-tenth of 1% of that energy is put to use. In our laboratories we are perfecting amazing automatic devices that will diminish still further the expenditure of human effort, and increase enormously the production and pay of our workers. And our population is growing in numbers with almost explosive rapidity.

Within the next 20 years, we are told, we will have 45 million more people to feed and to house and to clothe. Can you imagine what that means to our economy?

Well, let me simply tell you what it means in terms of steel. Last year, as you know, we completed our new Fairless Works, up-river on the Delaware. That is the largest single steel plant that has ever been built at one time. But if the per capita consumption of steel remains what it is today—and even if it does not rise, as it always has throughout this century—it will still take 14 more plants of that size to meet the demands of these 45 million new people. That means a new Fairless Works every 17 months for the next 20 years—and it took us 30 months to build the last one.

Yes, Gentlemen. Make no mistake about it. Ours is an unchanging tide; and I only hope that I may live to witness the 200th Anniversary of America's Independence just 22 years from new; because I can think of no greater satisfaction than to be able then to look back once more upon the glorious future that now lies before us!

Irwin Frumberg Enters Law Practice in N. Y.

Irving R. Frumberg, Chief of the Interpretative Section of the SEC's New York regional office, has resigned effective Feb. 2, to engage in the practice of law in New York City in association with M. Mac Schwebel.

Irwin R. Frumberg

Mr. Frumberg joined the staff of the General Counsel of the Commission in Philadelphia in 1942, where he later served on the staff of Chief Counsel to the Division of Corporation Finance. In 1944 he was assigned to the staff of the New York regional office, and became Chief of the Interpretative Section in 1949.

Mr. Frumberg was born in New York City, is a graduate of the McBurney School and Worcester Academy, Harvard College and Harvard Law School. He is Assistant Professor of Law, New York Law School; Lecturer, New York Institute of Finance; and Lecturer, University of Vermont. He is also Co-Chairman, Committee on Corporations and Securities of the Federal Bar Association of New York, New Jersey and Connecticut.

Halsey, Stuart Group Offers Eqp. Tr. Ctfs.

Halsey, Stuart & Co., Inc. and associates offered yesterday (Feb. 3) $2,970,000 New York, Chicago & St. Louis RR. 2⅝% serial equipment trust certificates, maturing annually Sept. 1, 1954 to 1968, inclusive, at prices scaled to yield from 1.50% to 2.80%, according to maturity.

The issue is to be secured by the following new standard-gauge railroad equipment estimated to cost $3,737,171: 23 Diesel electric road switching locomotives, and two Diesel electric all-service locomotives. Issuance of the certificates is subject to the authorization of the Interstate Commerce Commission.

Associated with Halsey, Stuart & Co., Inc. in the offering are R. W. Pressprich & Co. and McMaster Hutchinson & Co.

Tobey & Kirk Admit

On Feb. 11, Eric R. Anderson will be admitted to partnership in Tobey & Kirk, 52 Wall Street, members of the New York Stock Exchange.

Securities Salesman's Corner

By JOHN DUTTON

Income Tax Time Can Pay You Dividends

There are some people who will appreciate your assistance in preparing their income tax. Others will not. The ones who will, can repay you many times over in radiation and also in direct business for the time you spend with them. Many women will especially be grateful to you for your help in preparing their tax forms and if you once have their confidence to the extent that you know their entire financial situation (as will be revealed to you when you sit down with them and make up their report) you can be certain that you will obtain business from them. Quite often, these interviews reveal opportunities for doing business that would otherwise not come to light. Go over your list and pick out some of the most likely prospects that you think would like to have your offer of assistance. Time spent in helping others is money in the bank.

* * *

Make Yourself Understood

Sometimes we overestimate our ability to make our thoughts understandable to others. We expect people who are not familiar with the investment business to understand things which are perfectly clear to us and we often miss opportunities to clarify situations and lose business because we talk in "shop terms," or we gloss over facts that are not clear to others, just because we think they know when they do not. It reminds me of the story about the sales meeting that was held by the manufacturer of dog food. They got all their men together and the head sales manager stood up and introduced the production manager. He went into a long discourse about how nutritious their dog food was in comparison with other brands. Finally, he asked, "Do you know which dog food has 20% more protein in it than all the other brands?" Some salesman in the back of the room answered, "Why ours does, of course." "That's right," he said, "But if so, why is it that our sales are so low?" The same voice answered, "The dogs don't like it!"

That is just the point. It is one thing to know something is good for your customer—but they have to like it before they will buy it. The only way you can make them like it is to tell them the good things it will do for them. Not how it is made!

* * *

Things Are Terrible . . .

The next time some one says, "Things are different now, one just doesn't know what to do, buy, sell, or what." Answer him, "Yes Sir, that is the way it seems but there is an old saying that nothing ever changes about ups and downs." Type the following excerpt from Harper's "Bazaar" on a white sheet of paper and hold your hand over the date. It may help you to make your point if you asked him to read the following:

"Not for so many years has there been so much grave apprehension; never has the future been so incalcuable. In France the political caldron seethes with uncertainty. All the energies and resources of the British Empire are sorely tried. Russia hangs as usual, like a cloud, dark and silent on the horizon in Europe. It is a solemn moment. No man can feel indifferent to the issue of events. Of our own troubles in the United States, no man can see the end."

Doesn't seem possible but the foregoing was printed in "Harper's Weekly," Oct. 10, 1857, 103 years ago.

The foregoing was sent to me by my friend Arthur Wray of Atlanta, Ga. Right you are Arthur—and the old world is still spinping along and what a lot of progress has been made since these dire forebodings were written.

G. J. Gruner, V.-P. of John Nuveen Co.

George J. Gruner has joined John Nuveen & Co., underwriter and distributor of municipal bonds exclusively, effective Feb. 1, 1954, and has been elected Vice-President and director, according to announcement by John Nuveen, Chairman of the Board of Directors. He will be the resident officer of the Nuveen firm in the New York branch, 40 Wall Street.

George J. Gruner

A veteran of more than 20 years in the investment banking business, Mr. Gruner became associated with Lee Higginson Corporation in 1939 when he joined its Chicago office to organize a municipal bond department. Since 1948, Mr. Gruner has been located in the New York office of the Higginson firm, where he has been Vice-President in charge of that company's municipal bond business.

John Nuveen & Co., founded by the late John Nuveen in Chicago in 1898, is said to be the oldest and largest underwriter and distributor of municipal bonds exclusively in the United States. It was incorporated in 1953. Headquartered in Chicago, the Nuveen firm has offices in Boston, Cincinnati, St. Paul and Los Angeles, as well as in New York.

E. D. Webster Joins Nathan C. Fay & Co.

PORTLAND, Maine — Earle Douglass Webster has become associated with Nathan C. Fay & Co., 208 Middle Street. Mr. Webster was with Timberlake & Company from 1938 to 1948, continuing with the successor corporation, Patten, Arnold & Co., until the end of 1953 when the latter firm discontinued business. He is well known in Maine Masonic circles and is at present Recorder of Portland Commandery No. 2, Knights Templar, and Assistant to the Grand Secretary of the Grand Lodge of Maine A.F. & A.M. He has recently been nominated for elevation to the 33d degree Scottish Rite Masonry.

Mohawk Valley Inv. Co. Member of NYSE

UTICA, N. Y. — The Mohawk Valley Investing Co., Inc., 238 Genesee Street, announces that it has become a member corporation of the New York Stock Exchange. Officers are A. James Eckert, President; A. James Eckert, Jr., Robert W. Morgan, member of the Exchange, and David A. Gibson, Vice-Presidents; Yates P. Eckert and Henry Pomares, Assistant Treasurers; and Gertrude Y. Eckert, Secretary.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Operating statements of major banks throughout the country issued over the past month have been very favorable. All institutions, with only one or two exceptions, have reported increases in operating results and many show the highest operating earnings in their history.

One of the interesting features of the reports was that in spite of wide differences in geography and to some extent business conditions, there was considerable uniformity in the operating results achieved. This is not to suggest that all experienced identical changes in deposits and earning assets. On the contrary there was considerable variation with gains shown in some instances and declines in others.

Obviously then, there were other factors which were the dominant influence so far as final operating results were concerned. The two main factors in this connection were the strong demand for bank credit and the increase in interest rates. These factors were primarily a reflection of the high level of business activity and the prosperity of the general economy which occurred on a nationwide basis.

The demand for credit was particularly heavy in the first half of 1953 all throughout the country. Thus, loans did not show the usual seasonal decline. In the final six months, on the other hand, business borrowing failed to show the normal seasonal expansion and at the end of December was actually lower than the previous year for many of the larger banks.

However, the net result was that the average loan volume for 1953 was substantially higher than in 1952.

Interest rates also averaged higher during the year and as this influence was countrywide, it helped earnings of all banks. The prime rate at the larger banks which had been maintained at 3% during 1952 was increased to 3¼ in April, 1953. Yields on U. S. securities and municipals at the same time rose sharply.

This combination enabled the banks to increase the rate of return on earning assets with the result that gross earnings showed a large gain. Expenses were higher due in large part to increases in wages, salaries and general operating costs. The gain in gross, however, was more than sufficient to absorb these larger charges and pretax earnings were at or near record totals.

Taxes of course were higher and in a number of instances a provision was made for excess profits. Even so, net operating earnings showed substantial improvement over the previous year and in many instances were the highest in history.

In the tabulation below the reported earnings for 17 of the major banks in various sections and cities of the country outside of New York City are presented. With the exception of First National of Chicago and Northern Trust which report net profits after reserves, all of the banks show operating earnings—that is operating income before security profits or losses and reserves. However, some allowances should be made for differences in accounting methods and treatment of taxes. Per share figures have been adjusted for stock dividends and splits including those made so far in 1954.

It is interesting to note that every bank in the tabulation shows a gain in earnings and that the shares are now selling at or near their high for the past year.

	Reported Earns. 1953	Reported Earns. 1952	Current Price	1953 Price Range High	1953 Price Range Low
Boston:					
First National	$4.30	$3.83	49½	52	43⅜
National Shawmut	3.46	3.11	38	39⅝	32⅛
California:					
American Trust (San Fran.)	2.75	2.43	33	33¼	27⅜
Bank of America	3.14	2.72	33⅝	35	28½
Security First Nat. (L. A.)	10.68	10.53	119	121	94
Chicago:					
Continental Illinois National	7.64	7.03	86	94½	81
First National	16.86	16.49	263	273	226
Harris Trust	36.82	31.41	382	380	330
Northern Trust	23.68	20.34	430	420	380
Philadelphia:					
Fidelity-Philadelphia	6.06	5.30	65½	68	61
Penn. Co. for Banking	*3.16	*2.79	43¾	43¼	37¼
Philadelphia National	8.38	8.09	106¼	113½	101½
Pittsburgh:					
Mellon National	23.72	22.44	368	370	303
Peoples First	3.72	3.48	45½	44½	38
Detroit:					
Detroit Bank	5.52	3.68	44¼	44½	32¼
Manufacturers National	7.53	6.91	63½	64¾	56
National Bank of Detroit	4.20	3.89	44⅜	44½	37⅛

*For fiscal years ended Nov. 30.

Continued from page 3

Bills Introduced to Amend Securities Acts

suers and underwriters of securities proposed to be sold to the public furnish investors with adequate information concerning the securities offered. The Congress intended that this information would be widely disseminated to investors during the period between the filing of the registration statement and the time it becomes effective. Section 8 (a) of the Act contemplates that ordinarily there will be a 20-day period between the original filing date and the effective date but gives the Commission authority to shorten the period in appropriate cases. Section 5 of tne Act, however, in effect prohibits offers or sales of securities during this so-called waiting period by making it unlawful to sell prior to the effective date of the registration statement. Under Section 2(3) of the Act "sell" is defined to include both offers and sales.

Representatives of the securities industry have repeatedly urged that dealers and underwriters have hesitated to disseminate information during the waiting period to prospective investors concerning proposed new issues because of a fear that such activities by them may involve the making of illegal offers. The proposed bill will permit freer discussion and communication concerning new issues by removing the present prohibition against offers during the waiting period. Written offers during this period by means of prospectuses filed with the Commission prior to use will be authorized by the bill. The bill, however, will continue to make unlawful sales and contracts of sale before the informational requirements of the registration statement have been met and it has become effective.

In order to accomplish this result, it is necessary to amend three sections of the present statute. Section 2(3) of the Act (Section 1 of the bill) would be amended to define separately "offer" and "sale." In consequence, Section 5(a)(1) of the Act (Section 8 of the bill) will continue to make unlawful sales prior to the effective date of the registration statement but will not make unlawful offers prior to such date. Section 5(b)(1) of the Act would be amended by Section 8 of the bill to permit written offers after the filing of a registration statement and before the effective date by means of a prospectus meeting the requirements of Section 10 and filed with the Commission prior to use. A new Section 5 (c) of the Act (Section 8 of the bill) would make unlawful offers prior to the filing of a registration statement. Section 10 of the Act would be amended by Section 9 of the proposed bill to authorize the use of appropriate prospectuses during the waiting period. The bill would authorize suspension of the use of any such prospectus if the Commission finds that it is deficient or that the filing requirements have not been met.

The bill would authorize and encourage the wider use of "red herring" prospectuses (generally containing all required information except price, underwriting data, and other information dependent upon price), identifying statements (the brief "screening" advertisement, contemplated by Rule 132), and such other documents as the Commission may authorize as appropriate in the public interest or for the protection of investors.

Also Section 3 of the bill would amend Section 2(10)(b) of the Act to give the Commission latitude to permit pre-effective and expanded use of the "tombstone" advertisement.

Under the bill, the seller will continue to be civilly liable to investors for the adequacy and accuracy of prospectuses employed in the offering or sale of securities.

(2) Use of Prospectuses After the Effective Date of a Registration Statement

Section 5(b) of the present Act requires, without any limitation in time, that all persons use statutory prospectuses in connection with the sale of a registered security. The third clause of Section 4(1) exempts dealers from the requirements of Section 5, subject to two exceptions.

The effect of the first exception is that any dealer, even though only casually trading in the security (as distinguished from being a participant in the distribution) must use the prospectus in connection with all transactions in the registered security **within one year** after the commencement of the offering. Under present law offerings ordinarily commence on the same day the registration statement becomes effective or very shortly thereafter.

The second exception to this exemption provides, in effect, that any dealer who is a participant in the distribution must continue, even though the one-year period has expired, to use the prospectus in connection with the disposition of his portion of the registered issue of securities being distributed.

The effect of these provisions and of Section 5 of the Act, therefore, is to require underwriters and dealers engaged in the distribution of a security to deliver prospectuses to investors so long as they are engaged in the distribution. Moreover, any dealer, even though not a participant in the distribution, must deliver prospectuses to his customers for at least one year after the registration statement becomes effective. Since most issues are sold within a relatively short period of time after the effective date of the registration statement, the present one-year period is unnecessarily long.

It has long been recognized that the one-year period should be reduced to a period which gives recognition to the mechanics of securities distribution in this country. Section 7 of the proposed bill, therefore, amends the third clause of section 4 (1) of the Act **to reduce the one-year period to 40 days.** The proposal, however, maintains present law by requiring each dealer to use the prospectus so long as he is engaged in the distribution of the registered securities.

(3) Simplification of Information Requirements for Prospectuses Used More Than 13 Months After the Effective Date of a Registration Statement

As pointed out above an underwriter or a dealer must use the prospectus so long as he is engaged in the distribution of a registered issue. Occasionally, this period may extend beyond 13 months after the effective date of the registration statement. There are also other types of offerings which extend over a considerable period of time, such, for example, as those involving long term options or conversion rights where the issuer at least must continue to use a prospectus more than 13 months after the effective date.

Under the present Act a prospectus in the form in which it appeared as a part of the registration statement on the effective date may be used for 13 months after such effective date. Section 10(b)(1) of the Act, however, requires that a prospectus used after expiration of such 13 months, contain information as of a date within one year of its use. By reason of Paragraph (25) of Schedule A to the Act, a registration statement at the time of its filing may contain certain types of information, including financial statements as of a date at least 90 days prior to the filing date. Therefore, the original prospectus may continue to be used at a time when the information contained therein is as of a date as early as 16 months prior to its use.

As a consequence under the present statute, informational requirements for prospectuses used more than 13 months after the effective date of the registration statement are more restrictive than those applicable to prospectuses used in the 13 months immediately following the effective date of the registration statement. Under section 9 of the bill, section 10(b)(1) of the Act becomes section 10(a)(3) and, to eliminate the aforementioned anomaly, is changed to provide that where a prospectus is used more than nine months after the effective date the information therein shall be as of a date within 16 months of such use.

(4) Raising Exemption — Facilitating Financing of Small Business

Section 5 of the bill would amend section 3(b) of the Securities Act to raise from $300,000 to $500,000 the amount within which the Commission, subject to appropriate terms and conditions, may exempt public offerings of securities from the registration requirements of the Act. The proposal will afford the Commission greater flexibility to adjust requirements to the financial needs of small issuers. The present statutory sanctions (as implemented by rules and regulations providing for offering circulars and for Commission action by order to prevent violation of such regulations) relating to small offerings will be maintained.

(5) Extension of Credit on New Issues by Firms That Act Both as Broker and as Dealer

Section 11(d)(1) of the Securities Exchange Act was adopted to prohibit a person who was both a broker and a dealer from "taking into margin accounts new securities in the distribution of which he participated during the preceding six months." This provision was apparently intended in part to restrain distributors from selling new issues of securities to their **brokerage** customers who, in the period prior to 1934, had commonly been **margin** customers; this was to be accomplished by prohibiting the distributor from placing such securities in margin accounts.

Another consideration that may underlie Section 11(d)(1) is suggested in the following testimony of an underwriter in the hearings on the bill:

"If we sell our own underwritings to brokerage-department customers, who often carry securities on margin, the securities are not permanently placed, and we have not fulfilled our obligation to the company whose securities we have been paid to sell." (*Stock Exchange Practices*, Hearings before Senate Committee on Banking and Currency, 73d Cong., 2d Sess., 1934, p. 6750.)

In other words it is desirable, in general, that new issues should initially be placed with investors rather than with speculators. Section 11(d)(1) does contribute to this objective.

At present the prohibition on extension of credit continues for six months after the distribution. It is proposed in Section 201 of the bill to reduce the six-month period to 30 days. The Commission believes that a 30-day prohibition on extension of credit is sufficient to insure that new issues are sold on a cash basis.

(6) "When-Issued" Trading

The last two sentences of Section 12(d) of the Securities Exchange Act of 1934 deal with the subject of "when issued" trading on the exchanges. The first of these two sentences provides ample authority for the regulation of such trading under the standards of public interest and protection of investors that are used throughout the act. The last sentence represents an attempt to deal with the problem somewhat more precisely. The last sentence was apparently not fully considered, for where a security is a right or the subject of a right granted to holders of a previously registered security, "when issued" trading cannot in the nature of things serve "to distribute such unissued security to such holders." Rather it provides a market in which such holders may sell the unissued security and others may acquire it. Section 202 of the proposed bill, therefore, would repeal the last sentence of Section 12(d) thereby permitting "when issued" trading to be regulated under the more general provisions of the preceding sentence.

(7) The Offering of Institutional Type of Debt Securities

The Commission, in connection with proposed rule changes to provide for more simple prospectuses for use in the public distribution of high-grade so-called institutional type debt securities, is confronted with Section 305(c) of the Trust Indenture Act of 1939 which requires inclusion in the prospectus of the analysis of particular indenture provisions singled out by Section 305(a)(2) of the Trust Indenture Act. This requirement seems unnecessary in the light of the Commission's rule-making authority to deal with overall disclosure problems.

Section 303 of the proposed bill would, therefore, amend Section 305(c) of the Trust Indenture Act to make it formally consistent with Section 10 of the Securities Act in this respect. Section 304 of the proposed bill makes a similar change in Section 306(b) of the Trust Indenture Act which relates to indentures which must be qualified under that Act even though the securities to be issued thereunder need not be registered under the Securities Act.

This proposal, in substance, relates only to the problem of disclosure in prospectuses under the Securities Act. It does not affect the substantive provisions of the Trust Indenture Act which will continue to require that trust indentures contain the statutory provisions for protection of investors, for example, that there be independent indenture trustees with adequate resources and free of conflicting interests, who must report to security holders, and take other affirmative action to preserve investors' rights under indentures and to protect their interests in the event of default.

(8) Simplified Registration Procedure for Investment Companies

Investment companies which engage in continuous offerings of their shares as a matter of practice file new registration statements under the Securities Act of 1933 about once each year in order to have registered shares available. Section 6 of the Securities Act provides that securities may be registered by filing a registration statement but does not provide for registering additional securities by amendment. Section 403 of the proposed bill would amend Section 24 of the Investment Company Act by adding thereto a new subsection (e) which will permit such investment companies periodically to increase the number of shares registered under the Securities Act by amending their existing registration statements rather than by filing new registration statements. Paragraph (3) of this new subsection (e) will require that current information will be made a part of the registration statement at appropriate intervals and will be furnished to investors. This paragraph (3) also contains appropriate references to Sections 10, 11, and 13 of the Securities Act so that there will be no departure from either the disclosure standards or the liabilities imposed upon sellers.

In view of the above-mentioned practice of continuous offering of securities by certain types of investment companies, particularly those commonly referred to as "mutual funds," a proposed amendment to the Investment Company Act would provide for mandatory use of prospectuses by dealers over a longer period than would be required under Section 4(1) of the Securities Act as modified by Section 7 of the bill. This provision appears in Section 402 of the proposed bill which amends Section 24(d) of the Investment Company Act of 1940 by adding a further exclusion to those already contained in that subsection. Section 402 of the bill would require, in effect, that in the case of face-amount certificate companies, unit investment trusts, and open-end management companies (i.e., "mutual funds") all dealers, whether or not participating in the distribution, use the prospectus so long as the registered security is being offered.

Under existing law, a dealer who is not a participant in the distribution need not use a prospectus in connection with a transaction in a security after the expiration of one year from the first date on which the security was bona fide offered to the public, which, in most cases, means approximately one year after the effective date of the registration statement. Section 402 of the proposed bill would change this requirement by providing that a dealer must use the prospectus as long as the issuer is offering any securities of the same class as the security which is the subject matter of the dealer's transaction.

It is asserted that the continuous offering practices of these investment companies justify a requirement that all dealers be compelled to use the statutory prospectus so long as shares of the same class are being offered. On the other hand, it is argued that this would have the effect of preventing dealers, who are not distributors, from effecting transactions in outstanding investment company securities unless they are able to get prospectuses from the issuer or an underwriter and able to get them in time and unconditionally, and that the rule-making power to be conferred by Section 402 of the bill would be inadequate to deal with the problem.

In view of the nature of the problem and the difference in views thereon, there is set forth an alternative version of Section 402 which would retain existing prospectus requirements applicable to dealers trading in the outstanding securities of investment companies which are engaged in continuous offerings:

SEC. 402. Subsection (d) of section 24 of the Investment Company Act of 1940 is amended by adding the following at the end thereof: "The exemption provided by the third clause of section 4(1) of the Securities Act of 1933, as amended, shall not apply to any transaction in a security issued by a face-amount certificate company or in a redeemable security issued by an open-end management company or unit investment trust, within one year after a registration statement or amendment filed pursuant to subsection (e) of this section 24 has become effective with respect to such security if any other security of the same class is currently being offered or sold by the issuer or by or through an underwriter in a distribution which is not exempted from section 5 of said Act, except to such extent and subject to such terms and conditions as the Commission, having due regard for the public interest and the protection of investors, may prescribe by rules or regulations with respect to any class of persons, securities, or transactions."

Text of Capehart Bill

The full text of Senator Capehart's Bill is as follows:

83d CONGRESS
2d Session
S. 2846

IN THE SENATE OF THE UNITED STATES

January 27 (legislative day, January 22), 1954

Mr. Capehart introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

A BILL

To amend certain provisions of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the Trust Indenture Act of 1939, and the Investment Company Act of 1940.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—AMENDMENTS TO SECURITIES ACT OF 1933, AS AMENDED

SECTION I. Paragraph (3) of section 2 of the Securities Act of 1933 is amended to read as follows:

"(3) The term 'sale' or 'sell' shall include every contract of sale or disposition of a security or interest in a security, for value. The term 'offer to sell,' 'offer for sale,' or 'offer' shall include every attempt or offer to dispose of, or solicitation of an offer to buy, a security or interest in a security, for value. The terms defined in this paragraph and the term 'offer to buy' as used in subsection (c) of section 5 shall not include preliminary negotiations or agreements between an issuer (or any person directly or indirectly controlling or controlled by an issuer, or under direct or indirect common control with an issuer) and any underwriter or among underwriters who are or are to be in privity of contract with an issuer (or any person directly or indirectly controlling or controlled by an issuer, or under direct or indirect common control with an issuer). Any security given or delivered with, or as a bonus on account of, any purchase of securities or any other thing, shall be conclusively presumed to constitute a part of the subject of such purchase and to have been offered and sold for value. The issue or transfer of a right or privilege, when originally issued or transferred with a security, giving the holder of such security the right to convert such security into another security of the same issuer or of another person, or giving a right to subscribe to another security of the same issuer or of another person, which right cannot be exercised until some future date, shall not be deemed to be an offer or sale of such other security; but the issue or transfer of such other security upon the exercise of such right of conversion or subscription shall be deemed a sale of such other security."

SEC. 2. Paragraph (8) of section 2 of the Securities Act of 1933 is amended to read as follows:

"(8) The term 'registration statement' means the statement provided for in section 6, and includes any amendment thereto and any report, document, or memorandum filed as part of such statement or incorporated therein by reference."

SEC. 3. Paragraph (10) of section 2 of the Securities Act of 1933, as amended, is amended to read as follows:

"(10) The term 'prospectus' means any prospectus, notice, circular, advertisement, letter, or communication, written or by radio or television, which offers any security for sale or confirms the sale of any security; except that (a) a communication sent or given after the effective date of the registration statement (other than a prospectus permitted under subsection (b) of section 10) shall not be deemed a prospectus if it is proved that prior to or at the same time with such communication a written prospectus meeting the requirements of subsection (a) of section 10 at the time of such communication was sent or given to the person to whom the communication was made and (b) a notice, circular, advertisement, letter of communication in respect of a security shall not be deemed to be a prospectus if it states from whom a written prospectus meeting the requirements of section 10 may be obtained and, in addition, does no more than identify the security, state the price thereof, state by whom orders will be executed, and contain such other information as the Commission, by rules or regulations, deemed necessary or appropriate in the public interest and for the protection of investors, and subject to such terms and conditions as may be prescribed therein, may permit."

SEC. 4. Paragraph (11) of section 2 of the Securities Act of 1933 is amended by inserting the words "offers or" before the word "sells."

SEC. 5. Paragraph (11) of section 3 (a) of the Securities Act of 1933, as amended, is amended by inserting the words "offered and" before the word "sold."

SEC. 6. Subsection (b) of section 3 of the Securities Act of 1933, as amended, is amended by striking out "$300,000" where it appears in such subsection and inserting in lieu thereof "$500,000."

SEC. 7. Section 4 (1) of the Securities Act of 1933, as amended, is amended to read as follows:

"SEC. 4. The provisions of section 5 shall not apply to any of the following transactions:

"(1) Transactions by any person other than an issuer, underwriter, or dealer; transactions by an issuer not involving any public offering; or transactions by a dealer (including an underwriter no longer acting as an underwriter in respect of the security involved in such transaction), except transactions taking place prior to the expiration of forty days after the first date upon which the security was bona fide offered to the public by the issuer or by or through an underwriter and transactions in a security as to which a registration statement has been filed taking place prior to the expiration of forty days after the effective date of such registration statement or prior to the expiration of forty days after the first date upon which the security was bona fide offered to the public by the issuer or by or through an underwriter after such effective date, whichever is later (excluding in the computation of such forty days any time during which a stop order issued under section 8 is in effect as to the security), and except transactions as to securities constituting the whole or a part of an unsold allotment to or subscription by such dealer as a participant in the distribution of such securities by the issuer or by or through an underwriter."

SEC. 8. Section 5 of the Securities Act of 1933 is amended to read as follows:

"(a) Unless a registration statement is in effect as to a security, it shall be unlawful for any person, directly or indirectly—

"(1) to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell such security through the use or medium of any prospectus or otherwise; or

"(2) to carry or cause to be carried through the mails or in interstate commerce, by any means or instruments of transportation, any such security for the purpose of sale or for delivery after sale.

"(b) It shall be unlawful for any person, directly or indirectly—

"(1) to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to carry or transmit any prospectus relating to any security with respect to which a registration statement has been filed under this title, unless such prospectus meets the requirements of section 10; or

"(2) to carry or cause to be carried through the mails or in interstate commerce any such security for the purpose of sale or for delivery after sale, unless accompanied or preceded by a prospectus that meets the requirements of subsection (a) of section 10.

"(c) It shall be unlawful for any person, directly or indirectly, to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise any security, unless a registration statement has been filed as to such security, or while the registration statement is the subject of a refusal order or stop order, or prior to the effective date of the registration statement any public proceeding or examination, under section 8."

SEC. 9. Section 10 of the Securities Act of 1933, as amended, is amended to read as follows:

"(a) Except to the extent otherwise permitted or required pursuant to this subsection or subsections (c), (d), or (e)—

"(1) a prospectus relating to a security other than a security issued by a foreign government or political subdivision thereof, shall contain the information contained in the registration statement, but it need not include the documents referred to in paragraphs (28) to (32), inclusive, of schedule A;

"(2) a prospectus relating to a security issued by a foreign government or political subdivision thereof shall contain the information contained in the registration statement, but it need not include the documents referred to in paragraphs (13) and (14) of schedule B;

"(3) notwithstanding the provisions of paragraphs (1) and (2) of this subsection (a) when a prospectus is used more than nine months after the effective date of the registration statement, the information contained therein shall be as of a date not more than sixteen months prior to such use, so far as such information is known to the user of such prospectus or can be furnished by such user without unreasonable effort or expense; or

"(4) there may be omitted from any prospectus any of the information required under this subsection (a) which the Commission may by rules or regulations designate as not being necessary or appropriate in the public interest or for the protection of investors.

"(b) In addition to the prospectus permitted or required in subsection (a), the Commission shall by rules or regulations deemed necessary or appropriate in the public interest or for the protection of investors permit the use of a prospectus for the purposes of subsection (b) (1) of section 5 which omits in part or summarizes information in the prospectus specified in subsection (a). A prospectus permitted under this subsection shall, except to the extent the Commission by rules or regulations deemed necessary or appropriate in the public interest or for the protection of investors otherwise provides, be filed as part of the registration statement but shall not be deemed a part of such registration statement for the purposes of section 11. The Commission may at any time issue an order preventing or suspending the use of a prospectus permitted under this subsection (b), if it has reason to believe that such prospectus has not been filed (if required to be filed as part of the registration statement) or includes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which such prospectus is or is to be used not misleading. Upon issuance of an order under this subsection, the Commission shall give notice of the issuance of such order and opportunity for hearing by personal service or the sending of confirmed telegraphic notice. The Commission shall vacate or modify the order at any time for good cause or if such prospectus has been filed or amended in accordance with such order.

"(c) Any prospectus shall contain such other information as the Commission may by rules or regulations require as being necessary or appropriate in the public interest or for the protection of investors.

"(d) In the exercise of its powers under subsections (a), (b), or (c), the Commission shall have authority to classify prospectuses according to the nature and circumstances of their use or the nature of the security, issue, issuer, or otherwise, and, by rules and regulations and subject to such terms and conditions as it shall specify therein, to prescribe as to each class the form and contents which it may find appropriate and consistent with the public interest and the protection of investors.

"(e) The statements or information required to be included in a prospectus by or under authority of subsections (a), (b), (c), or (d), when written, shall be placed in a conspicuous part of the prospectus and, except as otherwise permitted by rules or regulations, in type as large as that used generally in the body of the prospectus.

"(f) In any case where a prospectus consists of a radio or television broadcast, copies thereof shall be filed with the Commission under such rules and regulations as it shall prescribe. The Commission may by rules and regulations require the filing with it of forms and prospectuses used in connection with the offer or sale of securities registered under this title."

SEC. 10. Section 12 of the Securities Act of 1933 is amended by inserting the words "offers or" before the word "sells" in clauses (1) and (2) thereof.

SEC. 11. Section 17 (a) of the Securities Act of 1933 is amended by inserting the words "offer or" before the word "sale" in the introductory clause thereof.

SEC. 12. Section 22 (a) of the Securities Act of 1933 is amended by inserting the words "offer or" before the word "sale" in the second sentence thereof.

TITLE II—AMENDMENTS TO SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

SEC. 201. Paragraph (d) of section 11 of the Securities Exchange Act of 1934 is amended by striking out the words "six months" where they appear in such paragraph and inserting in lieu thereof the words "thirty days."

SEC. 202. The last sentence of paragraph (d) of section 12 of the Securities Exchange Act of 1934 is hereby repealed.

TITLE III—AMENDMENTS TO TRUST INDENTURE ACT OF 1939

SEC. 301. (a) Paragraph (1) of section 303 of the Trust Indenture Act of 1939 is amended by deleting the words "as heretofore amended."

(b) Paragraph (2) of section 303 of the Trust Indenture Act of 1939 is amended to read as follows:

"(2) The terms 'sale,' 'sell,' 'offer to sell,' 'offer for sale,' and 'offer' shall include all transactions included in such terms as provided in paragraph (3) of section 2 of the Securities Act of 1933, except that an offer or sale of a certificate of interest or participation shall be deemed an offer or sale of the security or securities in which such certificate evidences an interest or participation if and only if such certificate gives the holder thereof the right to convert the same into such security or securities."

(c) Paragraph (3) of section 303 of the Trust Indenture Act of 1939 is amended to read as follows:

"(3) The term 'prospectus' shall have the meaning assigned to such term in paragraph (10) of section 2 of the Securities Act of 1933, except that in the case of securities which are not registered under the Securities Act of 1933, such term shall not include any communication (A) if it is proved that prior to or at the same time with such communication a written statement if any required by section 306 was sent or given to the persons to whom the communication was made, or (B) if such communication states from whom such statement may be obtained and, in addition, does no more than identify the security, state the price thereof, and state by whom orders will be executed and contain such other information as the Commission, by rules or regulations deemed necessary or appropriate in the public interest or for the protection of investors, and subject to such terms and conditions as may be prescribed therein, may permit."

(d) Paragraph (4) of section 303 of the Trust Indenture Act of 1939 is amended by inserting the words "offers or" before the word "sells."

SEC. 302. Subsection (b) of section 304 of the Trust Indenture Act of 1939 is amended by deleting the words "as heretofore amended."

SEC. 303. Subsection (c) of section 305 of the Trust Indenture Act of 1939 is amended to read as follows:

"(c) A prospectus relating to any such security shall include to the extent the Commission may prescribe by rules and regulations as necessary and appropriate in the public interest or for the protection of investors, as though such inclusion were required by section 10 of the Securities Act of 1933, a written statement containing the analysis set forth in the registration statement, of any indenture provisions with respect to the matters specified in paragraph (2) of subsection (a) of this section, together with a supplementary analysis, prepared by the Commission, of such provisions and of the effect thereof, if, in the opinion of the Commission, the inclusion of such supplementary

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Bills Introduced to Amend Securities Acts

analysis is necessary or appropriate in the public interest or for the protection of investors, and the Commission so declares by order after notice and, if demanded by the issuer, opportunity for hearing thereon. Such order shall be entered prior to the effective date of registration, except that if opportunity for hearing thereon is demanded by the issuer such order shall be entered within a reasonable time after such opportunity for hearing."

SEC. 304. Section 306 of the Trust Indenture Act of 1939 is amended to read as follows:

"SEC. 306. (a) In the case of any security which is not registered under the Securities Act of 1933 and to which this subsection is applicable notwithstanding the provisions of section 304, unless such security has been or is to be issued under an indenture and an application for qualification is effective as to such indenture, it shall be unlawful for any person, directly or indirectly—

"(1) to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell such security through the use or medium of any prospectus or otherwise; or

"(2) to carry or cause to be carried through the mails or in interstate commerce, by any means or instruments of transportation, any such security for the purpose of sale or for delivery after sale.

"(b) In the case of any security which is not registered under the Securities Act of 1933, but which has been or is to be issued under an indenture as to which an application for qualification is effective, it shall be unlawful for any person, directly or indirectly—

"(1) to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to carry or transmit any prospectus relating to any such security, unless such prospectus, to the extent the Commission may prescribe by rules and regulations as necessary and appropriate in the public interest or for the protection of investors, includes or is accompanied by a written statement that contains the information specified in subsection (c) of section 305; or

"(2) to carry or to cause to be carried through the mails or in interstate commerce any such security for the purpose of sale or for delivery after sale, unless, to the extent the Commission may prescribe by rules and regulations as necessary or appropriate in the public interest or for the protection of investors, accompanied or preceded by a written statement that contains the information specified in subsection (c) of section 305.

"(c) It shall be unlawful for any person, directly or indirectly, to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell through the use or medium of any prospectus or otherwise any security which is not registered under the Securities Act of 1933 and to which this subsection is applicable notwithstanding the provisions of section 304, unless such security has been or is to be issued under an indenture and an application for qualification has been filed as to such indenture, or while the application is the subject of a refusal order or stop order, or prior to qualification any public proceeding or examination, under section 307 (c)."

SEC. 305. Section 324 of the Trust Indenture Act of 1939 is amended by deleting the words "issuing or selling" and inserting in lieu thereof the words "offering, selling, or issuing."

TITLE IV — AMENDMENTS TO INVESTMENT COMPANY ACT OF 1940

SEC. 401. Section 2 (a) (30) of the Investment Company Act of 1940 is amended to read as follows:

"(30) 'Prospectus,' as used in section 22, means a written prospectus intended to meet the requirements of section 10 (a) of the Securities Act of 1933 and currently in use. As used elsewhere, 'prospectus' means a prospectus as defined in the Securities Act of 1933."

SEC. 402. Subsection (d) of section 24 of the Investment Company Act of 1940 is amended by adding the following at the end thereof: "The exemption provided by the third clause of section 4 (1) of the Securities Act of 1933, as amended, shall not apply to any transaction in a security issued by a face-amount certificate company or in a redeemable security issued by an open-end management company or unit investment trust, if any other security of the same class is currently being offered or sold by the issuer or by or through an underwriter in a distribution which is not exempted from section 5 of said Act, except to such extent and subject to such terms and conditions as the Commission, having due regard for the public interest and the protection of investors, may prescribe by rules or regulations with respect to any class of persons, securities, or transactions."

SEC. 403. Section 24 of the Investment Company Act of 1940 is amended by adding at the end thereof a new subsection (e) as follows:

"(e) (1) A registration statement under the Securities Act of 1933 relating to a security issued by a face-amount certificate company or a redeemable security issued by an open-end management company or unit investment trust may be amended after its effective date so as to increase the securities specified therein as proposed to be offered. At the time of filing such amendment there shall be paid to the Commission a fee, calculated in the manner specified in section 6 (b) of said Act, with respect to the additional securities therein proposed to be offered.

"(2) The filing of such an amendment to a registration statement under the Securities Act of 1933 shall not be deemed to have taken place unless it is accompanied by a United States postal money order or a certified bank check or cash for the amount of the fee required under paragraph (1) of this subsection.

"(3) For the purposes of section 11 of the Securities Act of 1933, as amended, the effective date of the latest amendment filed pursuant to this subsection or otherwise shall be deemed the effective date of the registration statement with respect to securities sold after such amendment shall have become effective. For the purposes of section 13 of the Securities Act of 1933, as amended, no such security shall be deemed to have been bona fide offered to the public prior to the effective date of the latest amendment filed pursuant to this subsection. Except to the extent the Commission otherwise provides by rules or regulations as appropriate in the public interest or for the protection of investors, no prospectus relating to a security issued by a face-amount certificate company or a redeemable security issued by an open-end management company or unit investment trust which varies for the purposes of subsection (a) (3) of section 10 of the Securities Act of 1933 from the latest prospectus filed as a part of the registration statement shall be deemed to meet the requirements of said section 10 unless filed as part of an amendment to the registration statement under said Act and such amendment has become effective."

World Bank Reports Increased Income

Net for last half of 1953 reported as $10,122,649, compared with $7,639,743 for same period a year previous.

The International Bank for Reconstruction and Development reported a net income of $10,122,649 for the six month period ended Dec. 31, 1953, compared with $7,639,743 for a corresponding period in 1952.

This income was placed in the Supplemental Reserve against Losses on Loans and Guarantees, and raised the Reserve to $86,636,160. Loan commissions amounted to $5,563,593 and were credited to the Bank's Special Reserve, increasing that Reserve to $42,800,070.

Total reserves on Dec. 31, 1953 were $129,436,230.

Gross income, exclusive of loan commissions, was $23,930,935, compared with $20,696,715 for the corresponding period in 1952. Expenses totaled $13,808,286, including $2,926,889 of administrative expenses, $9,158,640 of bond interest, and $1,722,757 of bond issuance and other financial expenses. The bonds issued during the six month period were: $75 million 3% three-year bonds, due Oct. 1, 1956; Swiss franc 50 million 3½% 15-year bonds, due July 1, 1968; and Swiss franc 50 million 3½% 15-year bonds, due Dec. 1, 1968.

During the six month period, the Bank made 18 loans totaling $190,392,000 in Brazil, Chile, Colombia, Iceland, Italy, Japan, Nicaragua, Panama, Turkey and the Union of South Africa. These loans increased total loans signed by the Bank to $1,781,158,464. Disbursements on loans were $133,043,619, bringing total disbursements to $1,236,304,734.

Repayments of principal were received from borrowers as due; they totaled $2,042,684 and brought total principal repayments to $14,710,994 on Dec. 31. During the period, the bank also sold or agreed to sell to private investors $14,038,384 principal amounts of its loans, this included $8,965,687 without its guarantee and $5,072,697 with its guarantee. At Dec. 31, 1953, these transactions brought total sales of effective loans to $84,053,038; $29,177,194 of these sales were made without the bank's guarantee.

Sprague & Nammack Admit

Jerome W. Nammack, Jr., will acquire a membership in the New York Stock Exchange and on Feb. 11 will become a partner in Sprague & Nammack, 39 Broadway, New York City, members of the New York Stock Exchange.

Open New Branch

POUGHKEEPSIE, N. Y.—Cady, Roberts & Company, members of the New York Stock Exchange, have opened a branch office at 2 Cannon Street under the management of John L. Mayhew.

In Securities Business

(Special to THE FINANCIAL CHRONICLE)

LAKEWOOD, Colo. — Leonard Kinsell is engaging in a securities business from offices at 1901 Garland Street.

Continued from first page

Is Middle East Oil a Threat To Domestic Producers?

ance of the Middle East as an oil area. If we look at the Middle East from the point of view of crude reserves we get a much more accurate picture of the relative importance of this area. Petroleum engineers estimate that there are proved crude reserves in all of the Free World approximating 116,000,000,000 barrels. There is little question in their minds that at least a half of this total is accounted for by the Middle East reserves. Reappraisals in the next few years will probably raise the Middle East portion to near two-thirds. And while the current production of oil from the Persian Gulf countries is only about one-fifth of total Free World supply, nevertheless it is four-fold what it was just at the end of the war eight years ago. In other words, the rate of increase in Middle East oil production has been many times greater than the rate of increase in the other large oil-producing countries.

The Middle East Oil Region

The principal Middle East countries in which oil has been discovered and is now being produced are Iraq, Iran, Kuwait, Saudi Arabia and Qatar. For those of you who are not familiar with Middle East geography I might say that Kuwait is a moderate-sized sheikdom lying on the northwest edge of the Persian Gulf with Iraq to the north and Saudi Arabia to the south. The sheikdom of Qatar is a small peninsula farther south on the western side of the Persian Gulf and immediately east of Saudi Arabia.

Currently the production of oil from Iraq, Kuwait and Saudi Arabia aggregates about 2,300,000 barrels a day with the three contributing fairly equal shares. As you know, production in Iran has been practically suspended since mid-1951. Prior to that date production from Iran was almost equal in volume to the current production from either Iraq, Kuwait or Saudi Arabia. Production from Qatar is currently about 85,000 barrels a day, much less than in the other principal countries. Despite the very large reserves and production in the Middle East, exploration for oil in the region has been quite limited and it is reasonable to expect that the large area still unexplored will ultimately prove to be productive of a substantial volume of oil.

Coming now to the economic aspects of Middle East oil, perhaps the first thing to point out is the effect on the countries from which this oil is produced—that is, of course, very profound. Prior to the discovery of oil in these areas they had relatively simple and modest economies with very little internal commerce, practically no industrial development, and an insignificant international trade. The revenues which now accrue to these Middle Eastern nations from their oil operations are very large in relation to their total revenues prior to the development of the oil industry and already the effect of this wealth is readily discernible. It seems reasonable to expect that economic development will proceed at an increasingly rapid rate and that within another decade or two these nations will be completely transformed much as the Western nations of the world changed their economies during the 19th Century and the earlier part of the 20th. Among the more informed circles of the Middle East peoples there is an acute awareness of this coming change and it is having its effect politically. These countries are now awakening to their important position in the world, they are becoming increasingly conscious of their sovereignty and they do not propose to be imposed upon. Perhaps more important they want their economic development to be just as rapid as possible which means that they seek from their oil the greatest possible revenue not only in dollars and cents per barrel but in number of barrels as well.

Middle East Oil and Consuming Markets

To appraise the economic effect of Middle East oil in countries outside of the Middle East, we should first get a clear understanding of the geographical location of the Middle East in relation to the important consuming markets of the world and likewise an understanding of the transportation media available for moving the oil to these markets. Geographically the Middle East is dominant as a source of supply for the countries and the huge populations which lie east of Suez and in south and east Africa. All of you are familiar with the magnitude and importance of India, the South African complex of countries, Indonesia, China, Japan, the Philippines and Australasia. Though there are substantial volumes of oil in Indonesia and oil has recently been discovered in Australia, the maximum production from these Far Eastern sources is totally inadequate to supply the hundreds of millions of people in the Orient and so the Middle East is an essential source of oil supply for them.

Western Europe contains fewer people than the Orient but because of its relatively greater state of industrial development it constitutes a very important oil market. Though geographically the Middle East is nearly as far away from much of Western Europe as is the great oil producing area of the Gulf of Mexico and Caribbean, there are compelling reasons why oil from the Middle East has very largely and will shortly almost completely displace Western Hemisphere oil in the European market. This will also be partially true of some of the markets which lie along the western coast of Africa and which though not large at the moment are likely to grow rapidly. One of these reasons is that oil in the Western Hemisphere is becoming increasingly essential to supply Western Hemisphere needs. In fact taking the long view there are strong indications that the Western Hemisphere will have to draw increasingly from the East to fully meet its oil requirements. Another of these reasons arises from consideration of currency and exchange problems. As you well know Europe by and large is shorter of dollars than of any other currency.

The Western Hemisphere is almost exclusively a hard money or dollar area and so a difficult area from which to supply Europe. I don't want to suggest that the Middle East is entirely a soft money area—in fact it is far from being such. Nevertheless the Middle East countries can use the currencies of Europe for many purposes to just as good effect as they can use dollars and so Europe can buy substantial volumes from the Middle East without having to pay in dollars.

The third great area of consumption is of course the Western Hemisphere and it may be that this is the area in which you gentlemen here today are the most interested when thinking about Middle East oil. Certainly nobody has questioned the movement of Middle East oil into Europe or the Orient. This has appeared natural and in fact inevitable. On the other hand there has been something of a hue and cry about the movement of Middle East oil into the United States, and as you know Congress has been deluged with suggestions as to quotas and tariffs which would prevent this movement. In all fairness I ought to say too that some of this agitation has not been directed exclusively against the movement of Middle East crude into the United States but has applied with almost equal vehemence to imports of crude oil and more particularly residual fuel oil from the Caribbean countries, particularly Venezuela. As my topic today is primarily the Middle East I shall not get into much detail about Venezuela, Canada or other Western Hemisphere oil sources but confine my discussion to the economic factors which will affect the movement of Middle East oil across the Atlantic into the West.

We must recognize that any great international movement of commodities can only be in response to a set of economic conditions which make such movement profitable to those engaged in it. This means of course that the thing being imported must be available at its source at a price which is low enough so that when the cost of transportation is added the laid down cost will be less than the cost of locally available material.

The F. O. B. Cost of Middle East Oil

First let me say a few words about the f. o. b. cost of Middle East oil. While it is true that with the very large flowing wells of the Middle East the so-called lifting cost is very low there are many other costs peculiar to the Middle East which make total costs relatively high. An oil operator exploring for and, if successful, developing an oil concession in any one of these Middle East countries has had to provide virtually everything which is required by human beings to live. For example, he has had to provide water, the utilities, a communication system, and a large part of all of the housing, in addition to the oil producing facilities themselves. In addition to housing he has had to build and operate hospitals, schools and in many cases provide churches. And after he has done so, he must, of course, maintain tremendous supplies of all forms of material and make available commissaries and general stores where his employees can acquire the day to day goods they need. In the aggregate these expenditures for what we call amenities may well equal the sum which has to be invested in the oil producing facilities themselves. Naturally all of this investment has to be serviced through depreciation and otherwise, and constitutes an important cost.

Earlier I referred to the awareness of the governments in the Middle East as to the importance of their oil revenues. Although years ago when many of these concessions were first negotiated, payments to the governments were relatively small, there has been a very rapid and important increase in these during recent years so that today practically all of these governments obtain some 50% of the overall profit of the oil venture, and this so-called "government take" comes to a very substantial number of cents per barrel on the oil produced. Because conditions in the various concession areas differ somewhat and also because bookkeeping is neither an exact science nor a standardized procedure I shall not attempt to give you precise figures on f. o. b. costs in any of these countries. I will say, however, that they are high enough so that taking oil at the points of loading at the posted price the profits realized by the operators in the Middle East are no higher per barrel than are those normally to be expected in the Western Hemisphere operations such as Venezuela, the United States or Canada.

The posted prices for Middle East oil of equivalent quality are lower than the posted prices for most oils in the Western Hemisphere and so if the Middle East were immediately adjacent to any of the Western Hemisphere markets obviously that oil could flow into the West at considerable financial gain to the importer. However, this Middle East oil (and for convenience I take the Persian Gulf as being the place where the Middle East oil is available) is some 8,500 miles from New York, about 10,000 miles from the Texas Gulf Coast ports and still farther away from the consuming area of our Pacific Coast.

Transportation Costs

This naturally leads to consideration of transportation costs, which in this case means the cost of shipping oil by tank steamship. During the war when all tankers operated in the Allied merchant fleets were taken over by government, the United States Maritime Commission established what are known as U. S. M. C. tanker freight rates. These were rates designed to enable an average tanker of that day to pay all of its expenses including depreciation and insurance and to yield to its owners a reasonable return on the investment after taxes. During the war these rates were standard rates and applied to all cargoes moved. People in the oil business got so accustomed to using these rates that after the war was over and despite the fact that the ships all reverted to private operation, it became customary in the trade to quote freight rates as U. S. M. C. plus or minus an appropriate percentage. To give you some idea of how tanker freight rates have fluctuated since the war I may say that at the peak in 1948 when oil demands were very high in relation to available ships, freight rates went to U. S. M. C. plus 250%. Of course these high rates stimulated the building of a lot of new tankers, so much so that now there is some over-supply of vessels and competition has forced rates down to the present level of approximately U. S. M. C. minus 50%. Applying this maximum and minimum to the movement of crude oil from the Persian Gulf to say New York or Philadelphia we get a high of $6.05 per barrel and a low of 86 cents. You can readily see what an important bearing these shipping cost figures have on this business of importing Middle East crude to the United States. Today, with the present depressed tanker rates, a barrel of, say, 33 gravity Arabian oil priced at $1.97 at Ras Tanura in the Persian Gulf, plus freight of 86 cents at U. S. M. C. minus 50 will after paying the U. S. duty of 10½c give the importer a delivered price of $2.94. This is some 25 to 40 cents less than the C. I. F. value of an equivalent gravity of domestic oil at New York. Actually the importer does not have quite as big a margin as this arithmetic suggests, however. Middle East crudes differ considerably from domestic oil and are generally of lower quality, even when there is no difference in gravity. This difference in quality is difficult to evaluate precisely but amounts to quite a few cents per barrel.

These very low freight rates seem unlikely to continue for any appreciably length of time. Even the newer ships now being built, supertankers with roughly twice the cargo capacity of their World War II sisters, would have to get something approaching U. S. M. C. to pay all charges including depreciation and earn a satisfactory return on the investment. The difference between U. S. M. C. minus 50 and U. S. M. C. flat is 86 cents per barrel which would obviously wipe out the present relatively small differential.

There is one other point which I would like to make while on the subject of tankers, and it may dispel some of the fears voiced by purely domestic producers. It has to do with the question of how much more Middle East oil could be imported into the United States in existing tankers which are not now employed. We have pretty good figures on that and they indicate that something over 5% of the world tanker tonnage is currently laid up. This 5%, if put in the Persian Gulf-North Atlantic seaboard trade, could move about 175,000 barrels of oil per day. Moreover, as a practical matter, even this small increase in crude imports could not be effected until and unless additional refineries on the Atlantic seaboard were equipped with the specialized processing facilities needed to run the Middle East crudes. This figure of 175,000 barrels compares with current average imports into the United States from all sources of about 650,000 barrels a day of crude and roughly 400,000 barrels daily of residual fuel oil. My own view is that the present situation is definitely a spot situation and one which will not long continue. Any potential oil importer attempting to cover on transportation for as little as five years ahead would find himself faced with freight rates so much higher than the present rates that they would make the venture unattractive.

The Pipelines

No doubt many of you have noticed that in my discussion so far I have made no mention of the pipelines which exist in the Middle East and which make Midde Eeast oil available at Eastern Mediterranean ports instead of the Persian Gulf. There are two pipeline systems of this nature. The first is the Iraq system which through three lines of varying size is capable of moving some 500,000 barrels of oil a day from the Kirkuk field in Central Iraq to the ports of Banias and Tripoli, in Syria and Lebanon. The first line of this Kirkuk system was laid many years ago and has been expanded in the postwar period. The location of Kirkuk is such that a long pipeline is necessary whether the oil from the field moves out through the Persian Gulf or through the Eastern Mediterranean. The second pipeline system in the Middle East is the Trans-Arabian system referred to generally as Tapline. This consists of one big pipe 30 inches in diameter, with capacity to move some 300,000 barrels of oil per day from the Saudi Arabian fields lying along the shore of the Persian Gulf to Sidon in the Lebanon. This Tapline system was built as an alternate to tanker movement out of Ras Tanura on the Persian Gulf. When the line was projected it was expected to cost about $125,000,000 to build and on the basis of that estimate would have provided a reasonably attractive return from the economies effected as against tanker movement. In real life the line cost over $200,000,000 at which cost it will provide a very long pay-out against even normal tanker freights and is unattractive when related to the present very low rates.

The combined capacity of these two systems, approximating 800,000 barrels a day, is far less than the total movement from the Middle East oil fields to the areas lying west of the Suez Canal. In fact in recent months there has been more oil moving by tankers to the West than has been moving out of the Mediterranean pipeline terminals. So far as the economic effect of Middle East oil on the world markets is concerned, therefore, the pipelines play no real part and are not a factor. It is possible that in years to come and under different economic conditions additional pipelines could be built so as to make all or at least most of Middle East oil required in western areas available at the Mediterranean ports but at the moment this seems unlikely. The present trend toward larger and therefore more economic tankers, coupled with the fact that there is little hope that pipelines will be built any more cheaply in the future than they have been in the past, leads me personally to believe that pipelines to the Mediterranean will only be built to connect fields which are so situated that an almost equally long line would have to be built to reach the Persian Gulf.

Impact of Middle East Oil Supplies

Many of you here may be concerned at the possibility of the world oil markets being severely depressed as a result of the very large potential supplies which could be taken out of the Middle East. In this connection there is of course the possibility that the Iranian fields will come back on production. Curiously enough most of you financial people seem to be happier about an investment if it is in an industry where supply is short and the demands of its customers cannot be adequately fulfilled. I had some experience with than kind of a situation back in 1948 when we had a cold winter and because of a tanker shortage had difficulty in supplying heating oil needs, and I don't want any part of that kind of a situation again. Believe it or not, it cost us millions of dollars to meet our customers' urgent demands at that time. So far as the oil industry is concerned we have been struggling ever since 1948 to get some margin of extra capacity, and we have reached that position now. Obviously the oil fields in the Middle East are sufficiently prolific and sufficiently developed so that they could produce a whole lot more oil than is currently needed. On the other hand everybody in the business knows that such ability to overproduce has practically nothing to do with the amount of oil that is going to be used. The world demand for oil has been increasing and shows every indication of continuing to increase, but the development is going to be gradual and nothing is going to happen over night to jump it up 20, 30 or 40%. Whether and when the Iranian fields will come back into production is not for me to say and I doubt if anybody could make a prediction on that point with any assurance of accuracy. Personally, however, I expect that when and if Iranian production does come back it will be readily absorbed. A property of that magnitude which has lain idle for some two and a half years cannot be brought up to anything approaching full capacity for many, many months. Furthermore the growth of Middle East oil industry during those two and a half years has been so great that the Iranian production potential will constitute a much smaller factor in the overall picture than it did in 1951. We must bear in mind that when Iran shut down, production from the other Middle East countries was pushed very hard and augmented very rapidly. This had to be done by using expedients which though temporarily effective are not well suited to long-term operation. Having in mind that the anticipated growth in demand for oil from the Middle East is likely to be at last equal to any production which can be rehabilitated and reestablished out of the Iranian fields, most of the operators in the other concession areas would not mind too much a period of less rapid expansion or even of remaining stationary to give them a chance to consolidate their positions.

Summary

I hope that in the brief time available I have given you some of the highlights of the economic position as it concerns Middle East oil. Certainly the area is important beyond any possibility of exaggeration. The Middle East has always been the crossroads of the world, and few areas have been fought over more often or with greater ferocity. The strategic importance of the area is at least as great today as it has ever been in the past. Not only does the Middle East dominate the principal East-West route by sea through the Red Sea and the Suez Canal but it is equally important to the airlines operating between the Orient and Europe or our own continent. According to the best judgment of our oil geologists and engineers, half to two-thirds of all there is in the world of this wonderful source of energy lies in this Middle East region. The influence which coming events in the Middle East will have on the relative positions of the states in the Russian orbit versus the Free World is bound to be very great. We hope, and I personally feel there is good reason to expect, that history will someday show that we are now engaged in a development which will prove of incalculable benefit to the Middle East countries and to the other free nations of the world.

Pa. RR. Equip. Trust Certificates Offered

Halsey, Stuart & Co. Inc. and associates are offering today (Feb. 4) $5,265,000 Pennsylvania Railroad 2¾% equipment trust certificates, series BB, maturing annually Feb. 1, 1955 to 1969 inclusive. The certificates are priced to yield from 1.75% to 2.90%, according to maturity.

The issue is to be secured by the following new standard-guage railroad equipment estimated to cost $7,020,000: 33 Diesel-electric switching locomotives; 300 covered hopper cars, and 20 box cars. Issuance of the certificates is subject to the authorization of the Interstate Commerce Commission.

Associated with Halsey, Stuart in the offering are—Baxter, Williams & Co.; Freeman & Co.; Wm. E. Pollock & Co., Inc.; Gregory & Son Inc.; McMaster Hutchinson & Company.

Charles W. Wilkins Now With Wright Wells Co.

(Special to THE FINANCIAL CHRONICLE)

AUSTIN, Minn. — Charles W. Wilkins is now associated with Wright Wells & Company, First National Bank Building. Mr. Wilkins was President of the First National Bank of Austin for many years.

With Highland Park Inv.

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn.—Thomas C. Savage has joined the staff of Highland Park Investment Co., Pioneer Building.

With Bache & Co.

Herbert R. Mann has joined the staff of Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange, as a registered representative.

Mutual Funds

By ROBERT R. RICH

IN ITS REVIEW OF the economic outlook, the January "Perspective," issued by the investment management department of Calvin Bullock, comments that "it would be unwise for the government, at the sight of a few clouds, to unleash a vast program for stimulating the economy. The science of economic forecasting has not reached the state of accuracy to warrant such a course. Such programs are inflationary and not to be undertaken lightly."

Many who fear a severe decline in business rest their case largely on the unfavorable trends of capital expenditures and inventories. One important factor to watch in this connection, "Perspective" points out, is the movement of commodity prices. It notes that while estimates of plant and equipment expenditures for the first quarter show only a nominal decline, these are, after all, estimates of intentions which may already have been changed by the adverse turn of business in the last few months. One must accept the evidence with heavy reservations and follow closely economic developments for indications as to the course of capital expenditures.

"Perspective" lays stress on the offsets to the negative factors in the outlook, one being the possibility of a higher level of public works construction. "A real, deferred need exists for a vast amount of public works such as hospitals, schools and roads," it states. "This is a large potential source of stimulation for the economy.

"Another encouraging factor is the absence of any speculative fever in the economy. The numerous sober forecasts have at least been salutary in dampening speculative zeal. Although consumer and other private debt is high, it does not appear that large amounts of debt might have to be liquidated in a hurry.

"Nor do we have a condition of tight money which could bring about liquidation or hamper business in obtaining sufficient funds for expansion. Another element of strength is the large amount of liquid assets in the hands of individuals.

"In the period of sharpened competition that appears to lie ahead, profit margins will be affected, particularly for marginal companies and industries in which excessive capacity has been created. Under these circumstances, the prudent investor would prefer to hold some reserves for advantageous buying opportunities. Nevertheless there are many stocks with excellent yields that discount in their prices any reasonable expectancy of a business decline."

HENRY J. SIMONSON, Jr., President of National Securities & Research Corporation, said today that the continued upward trend of National's sales in the past 12 months, "seem to prove again that the average investor is far more interested in income than daily market fluctuations."

He based his statement on the fact that the National Securities Series of mutual funds, sponsored by his corporation, have maintained record monthly sales for 1953 and reached a new monthly high for January, 1954, of $6,170,-172.

Mr. Simonson said that the "prophets of gloom seem to have forgotten that income is everyone's concern, whether the market is up or down." He added, "I believe our 1954 sales will exceed the $49,700,000 total of 1953."

Net assets of the National Securities Series funds as of Jan. 30, 1954 were more than $145,000,000, compared to $122,950,000 a year previous.

Mr. Simonson said that the investment management organization of National Securities & Research Corporation is optimistic about the future for the railroad, steel, building, aircraft and utility industries in which the funds have substantial investments.

ONE OF science's most dramatic achievements of 1953 — isolation and identification of the pure human polio virus—is featured in the new annual report of Chemical Fund. The new development was announced almost simultaneously by researchers at Parke, Davis & Company and at the University of California. The new research accomplishment may lead to a chemical method for treating the deadly polio virus.

Chemical Fund's annual report also lists other notable research achievements of recent years including the production of chemicals by coal hydrogenation, the development of "Mylar" polyester film and of low-cost processes for producing acrylic monomers, an essential raw material for the newer synthetic textile fibers. "As research has fostered past growth of the chemical industry, so it is likely to contribute to future growth" the report concludes.

In the report to more than 19,-000 holders of Chemical Fund shares, F. Eberstadt, President, stated that the Fund's net assets on Dec. 31, 1953 were the highest for any year-end, aggregating $55,627,976, equal to $19.61 per share on 2,835,690 shares then outstanding. On Dec. 31, 1952, net assets of the Fund totaled $53,-505,934, or $20.39 per share on 2,-622,962 shares held by 17,410 owners.

During 1953, the Fund sold portfolio securities amounting to $2,936,107 on which it realized $649,704 in net capital gains. Net investment income for the full year 1953 amounted to $1,774,235 compared with $1,524,906 for the year 1952.

Indicative of the continuing long-term growth of the chemical industry, the report points out that the sales of 42 portfolio companies averaged 12% more and that their net earnings averaged 13% more for the first nine months of 1953 than during the same period of 1952. When figures for the full year become available, the report adds, they will probably show 1953 to have been a record year for many chemical companies.

NEW ENGLAND Fund showed continued growth during the year ended Dec. 31, 1953, according to the Trustees' 23rd Annual Report. Total net assets of $6,699,358 and 385,690 outstanding shares at the end of 1953 compared with $6,-434,039 and 345,498 shares a year earlier. Asset value per share of $17.37 as of Dec. 31—$17.91 adjusted for the 54c payment from net realized profits in December—compared with $18.62 at the end of 1952.

WALL STREET Investing Corporation reports for the year ended Dec. 31, 1953 total net assets of $3,707,468, equal to $14.21 per share, compared wtih $3,430,243, or $13.58 per share at June 30, 1953.

PERSONAL PROGRESS

THE BOARD of Directors of Investors Diversified Services, Inc., has accepted the resignation of H. Dudley Swim of Carmel, Calif., who has been a director for the past two years. Mr. Swim is on an extended tour of Europe. James H. Clark, associated with Murchison Bros., Dallas, Tex., was elected to replace Mr. Swim on the I. D. S. board.

ADMISSION OF Clayton DuBosque as a general partner in the

Lord, Abbett Funds Change Offering Terms

AMERICAN Business Shares and Affiliated Fund have modified the terms of their share offerings by discontinuing the special offering prices made to shareholders who wanted to switch their investments from one of the funds to the other.

In addition, single transactions entitled to volume discounts will now include sales to the same investor amounting to $25,000 or more within a period of 13 months, and sales to an individual for himself and his immediate family.

Fund Spills Problems To Shareholders

In its first annual report to shareholders since it came under the supervision of new management, Van Strum & Towne Stock Fund (formerly Technical Fund) makes a frank disclosure of its problems and describes the remedial steps which have resulted in an initial improvement in the shareholders' net asset position.

As of Dec. 31, last, net assets of the Fund were equal to $7.78 per share, after payment of a dividend from investment income of 17 cents per share. This compares with $7.56 per share at the end of the third quarter, in which the new management, the investment counsel firm of Van Strum & Towne, Inc., assumed active management of the Fund.

In the letter to the shareholders the report states that, upon assuming management of the Fund in the third quarter, the new management was confronted by two critical problems: First, a portfolio of securities which showed a substantial unrealized loss; and, second, the necessity of liquidating securities in an unfavorable market to provide cash for the redemptions during the first nine months. A decline of 12% in net asset value per share during the year was caused by shrinkage in the Fund's investments in the forepart of the year before Van Strum & Towne became managers.

The remedial steps taken, the report states, consisted of extensive portfolio changes to eliminate some of the more volatile issues and to protect the Fund's income. While restoring the Fund's income potential, the revised portfolio also reflected the market rise of the last quarter. The second critical problem, that of redemptions, appeared at the year end to have been resolved when redemptions declined and were being offset by the sale of new shares.

Total net assets of the Fund as of Dec. 31, last, were $3,229,522.

M. I. T. Reports Record Figures

MASSACHUSETTS Investors Trust reports for the year ended Dec. 31, 1953, total net assets of $522,368,398, with 26,752,930 shares outstanding and 113,678 shareholders. These are all record high figures in the history of the Trust and compare with $512,365,938 in net assets, 25,093,085 shares outstanding and 99,126 shareholders at the end of 1952.

The report indicates that almost 100% in market value of the stocks owned at the year end by Massachusetts Investors Trust paid dividends in 1953 and almost 90% of them have paid dividends consecutively for the last 10 years or longer.

The report announces that for the second successive year the Trust has received a certificate of management excellence from the American Institute of Management. A statement with this award said that research findings of the Institute place Massachusetts Investors Trust in the top quarter of 348 corporations of all types currently classified as excellent.

The report notes also that again in 1953, Massachusetts Investors Trust is believed to have had the lowest ratio of operating expense of all investment companies in the United States.

Important changes in the Trust's portfolio in the fourth quarter of 1953 included:

PURCHASES

Company—	Bought
American Smelting & Ref Co.	10,000
Bethlehem Steel Corp.	20,000
Columbia Broadcasting "A"	6,900
Columbia Broadcasting "B"	6,700
Crown Zellerbach Corp.	5,000
Dayton Power & Light Co.	10,000
Deere & Company	5,000
Florida Power Corp.	24,000
Food Mach. & Chemical Corp.	10,000
General Public Utilities	24,000
Gillette Co.	25,900
Illinois Power Co.	5,300
Industrial Rayon Corp.	5,000
Johns-Manville Corp.	10,000
Kennecott Copper Corp.	5,000
Louisville & Nashville RR. Co.	7,000
Ohio Oil Company	25,000
Phelps Dodge Corp.	5,000
Reynolds (R. J.) Tob. Co. "B"	15,000
Southern Company	20,000
Standard Oil of Calif.	5,000
Standard Oil Co. (Indiana)	5,000
Standard Oil Co. (N. J.)	6,500
Texas Company	10,000
Union Pacific Railroad Co.	10,000
U. S. Steel Corp.	20,000

SALES

Company—	Sold
Chrysler Corp.	5,000
Cities Service Co.	26,000
Cone Mills Corp.	12,600
Florida Power & Light Co.	25,000
Int. Nickel Co. of Can. Ltd.	30,000
Lone Star Cement Corp.	17,500
Middle So. Utilities, Inc.	65,300
National Lead Co.	5,000
Pittsburgh Plate Glass Co.	10,000
Public Service Elec. & Gas Co.	20,000
United Gas Improvement Co.	18,700
United Merch. & Mfrs., Inc.	41,500

firm of Vance, Sanders & Company, of Boston, effective Feb. 1, was announced by Henry T. Vance, senior partner of the firm, which is the underwriter for six mutual investment companies, including Massachusetts Investors Trust and Boston Fund.

DuBosque, a graduate of Yale University, centered his investment banking career in New York City until he joined Vance, Sanders in 1952. In New York he was a member of the Stock Exchange firm of Ingraham and DuBosque and later was with DuBosque, DeWitt and Company. In 1937 he became a partner of Eberstadt and Company, from which firm he retired prior to coming to Boston. During World War II DuBosque served in the U. S. Air Force with the rank of Colonel.

THE ELECTIONS of Lewis J. Ross and James P. Schellenger as treasurer and secretary respectively of Delaware Fund were announced by W. Linton Nelson, President.

Mr. Ross has been associated with Delaware Fund since 1950 and more recently was named secretary of Delaware Distributors, Inc., the national distributor of the Fund. He has been connected with the investment field since 1920 and with the mutual fund industry since 1932. He is a graduate of Girard College and is a resident of Philadelphia.

Mr. Schellenger, a member of the Philadelphia Bar Association, joined the Delaware organization last August. During World War II he was an officer in the Navy and saw service in the South and Central Pacific. He is a graduate of the Wharton School and of the Law School of the University of Pennsylvania. Mr. Schellenger is a resident of Oreland, Pa.

Hugh Long Company Sales Meeting

Photograph of the Hugh W. Long and Company organization taken at the firm's recent National Sales Meeting in New York City. Bottom row left to right, C. E. Kalbach, Resident Vice-President, Boston, F. C. Coltrin, Resident Vice-President, San Francisco, A. M. Hoagland, Resident Vice-President, Cleveland, R. G. Frank, Resident Vice-President, Los Angeles, F. G. Thorne, Resident Vice-President, New York, and T. J. Herbert, Research Vice-President. Middle row, V. S. Vivian, Vice-President, M. DeTamble, Resident Vice-President, Chicago, W. G. Brady, Jr., Board Chairman of Fundamental Investors, E. J. Lewis, Resident Vice-President, Los Angeles, E. Williams, Resident Vice-President, Lynchburg and N. Lobel, Sales Staff. Top row, R. M. Groves, Resident Vice-President, Atlanta, H. W. Long, President, H. L. Sebel, Resident Vice-President, Chicago, H. S. Oberg, Sales Staff and E. J. Habas, Vice-President.

KEYSTONE Custodian Funds, Inc. trustee for the 10 Keystone Funds with combined assets of $220,217,600, today issued its Annual Report to shareholders of Investment Bond Fund "B-1" covering operations for the fiscal year ended Dec. 31, 1953.

The Fund, whose 32 issues held on Dec. 31 were largely concentrated in government and high-grade and good-grade corporate bonds for the purpose of providing relative capital stability, reported increases in the per share net asset value and in net investment income paid in 1953 as compared with 1952. Results for fiscal 1953 compared with 1952 are:

	Fiscal 1952	Fiscal 1953
Total net assets on Dec. 31	$18,084,968	$16,553,493
Shares outstanding on Dec. 31	685,540	626,372
Number of holders on Dec. 31	4,824	4,641
Income dividends, per share	73c	75c
Value per share on Dec. 31	$26.38	$26.43

The Trustee also announced that effective Jan. 18, 1954, sales charges on purchases over $100,000 had been reduced to the rates shown below:

$100,000 to $249,999	3%
$250,000 to $499,999	2%
$500,000 to $999,999	1¼%
$1,000,000 or over	1%

Changes made in the primary list of Keystone Investment Bond Fund "B-1" during the last six months of the 1953 fiscal year were:

ADDITIONS

General Motors Acceptance Corp. deb. 3⅞s, 1961.

U. S. Treasury 2s, Sept. 15, 1953.

U. S. Treasury 2¼% ctfs., Feb. 15, 1954.

U. S. Treasury one-year 2⅝% ctfs. 1954 (August).

U. S. Treasury 3½-year 2⅞% notes, 1957 (March).

U. S. Treasury 2¾s, Sept. 15, 1961.

U. S. Treasury 3¼s, 1983-78 (June).

ELIMINATIONS

Bell Tel. Co. of Canada 1st "J" 4½s, 1967.

Ontario Hydro-Electric Power Com., deb. 4s, 1967.

Ontario Hydro-Electric Power Com., deb. 4¼s, 1967.

Ontario Hydro-Electric Power Com., deb. 4s, 1968.

U. S. Treasury 2s, Sept. 15, 1953.

U. S. Treasury one-year 2⅝% ctfs. 1954 (June).

U. S. Treasury one-year 2⅝% ctfs. 1954 (August).

U. S. Treasury 2½s, 1958-56 (March).

THE ANNUAL Report of Keystone Growth Fund "K-2" discloses a marked increase in total assets, number of shares outstanding and number of shareholders.

The Report, covering operations for the fiscal year ending Dec. 31, 1953, also notes that during the year the investment policy — to provide capital growth through a diversified portfolio of speculative preferred stocks — was amended to permit the Trustee to include securities with attractive growth characteristics from other classes. On Dec. 31 the portfolio consisted of 33 preferred stocks and 15 common stocks.

The tabulation below shows the results for fiscal 1953 compared with 1952. All figures are adjusted to reflect the 200% stock distribution to shareholders of record Dec. 31, 1953.

	Fiscal 1952	Fiscal 1953
Total net assets on Dec. 31	$5,359,742	$6,057,783
Shares outstanding on Dec. 31	587,913	774,129
Number of shareholders on Dec. 31	3,394	3,588
Realized gains distributions per share	49c	90c
Income dividends, per share	36c	33c
Value per share on Dec. 31	$9.12	$7.83

These changes were made in the primary list of Keystone Growth Fund "K-2" during the last six months of the 1953 fiscal year:

ADDITIONS

American Airlines, Inc. 3½% cum. conv. preferred.
Babcock & Wilcox Co.
Chicago Corp.
Clevite Corp.
Combustion Engineering, Inc.
Continental Casualty Co.
Corning Glass Works.
Dixie Cup 5% conv. pfd. "A."
Hazeltine Corp.
Industrial Acceptance Corp. $1.50 conv. preferred.
Mallory (P. R.) & Co., Inc. 4½% cumu. conv. preferred.
Maryland Casualty Co.
Minnesota Mining & Mfg Co.
National Tea Co. 4.20% cumul. conv. pfd.
Novadel-Agene Corp.
Oxford Paper Co. $5 cumul. preferred.
Permutit Co.
Seaboard Oil Co. of Del.
Smith, Kline & French Laboratories.
Spencer Chemical Co. 4.50% cumul. conv. 2nd preferred.
Stromberg Carlson Co.
Trane Co. (The).

ELIMINATIONS

American Zinc, Lead & Smelting Co. $5 cumu. conv. prior preferred.
Consolidated Railroads of Cuba 6% cumul. preferred.
Dumont (Allen B.) Laboratories 5% cumul. conv. preferred.
Gar Wood Industries, Inc. 4½% cumul. conv. preferred.
Interstate Bakeries Corp. $4.80 cum. pfd.
New England Public Service Co. $6. cumul. preferred.
Standard Gas & Electric Co. $4, cum. pfd.
Standard Power Light Corp. $7 cum. pfd.
Stromberg, Carlson Co. 4% cum. conv. pfd.
Thermoid Co. $2.50 cum. conv. preferred.
United Stores Corp $4.20 non-cum. 2nd pfd.

Anderson, Kalb React Cautiously To Exchange Plan

Typical as the reactions of mutual funds sponsors and retailers, generally, to the recently-announced Monthly Investment Plan of the New York Stock Exchange were statements by Herbert Anderson, President of Group Securities, and John Kalb, President of Investors Planning Corporation, a New York retailing firm.

Mr. Anderson, in his comment, stated, "All investment men and women can join the cheering section . . . we will all benefit from the widespread publicity of the launching of the New York Stock Exchange's Monthly Investment Plan, and can all agree that it is a new and powerful force in the direction of widespread ownership of investments."

Mr. Anderson added, "But while we can join the Exchange—enthusiastically in arousing a prospect's desire to become an investor out of income—our suggestions as to the kind of investment such prospects should make are quite different from theirs. Will the prospect perceive the difference? It's up to us and to you to see that he has all the available facts to guide him toward the investment best suited to his needs.

"And the time to get ready for it is now—to take advantage of the Exchange's initial blast of promotional activity."

John Kalb, in a company letter, remarked, "While the Stock Exchange Plan can, in a mechanical sense, help develop broader ownership, we believe that it completely lacks basic service qualities which would make such ownership more purposeful and more meaningful. The Stock Exchange Plan provides only mechanical facilities and does not automatically give the investor vital service he needs. We think the absence of automatic service and management features greatly reduces the value of the Stock Exchange Plan. These features are all available in well-managed mutual funds."

Mr. Kalb listed selectivity, diversification, continuous supervision of investments and convenience as important elements and automatic features inherent in mutual funds and totally lacking in the Exchange's Monthly Investment Plan. The Exchange's Plan permits the purchase of individual securities on a monthly payment basis, with payments ranging from $40 to $1,000 a month.

"The development of the Exchange Plan," Mr. Kalb said, "reflects long overdue recognition of the need for a convenient method of monthly investment for the public . . . a fact which was long ago recognized and is now being extensively used by the mutual fund industry. We sincerely congratulate the New York Stock Exchange in having, as 'Merrill-Lynch' says, 'at last,' taken this step. We think this move will go far to awaken America to the advantages offered in utilizing part of their savings for the purchase of common stocks.

"We believe that the great change in the character of ownership of industrial wealth in this country over the past 60 years went far to help develop our great mass production industries, and to improve substantially our standards of living. During this great period of development of our industrial economy and of the change in the form of ownership from individuals to large corporations, the facilities of the New York Stock Exchange and of the investment banking fraternity were essential. We think that everything to encourage even broader ownership of securities is in order today. However, we strongly believe that the greatest needs of today and tomorrow require greater emphasis on the concept of servicing the securities already issued and outstanding."

CLOSED-END NEWS

CARRIERS & GENERAL Corporation, a listed, closed-end investment company managed by Calvin Bullock, reports total net assets on Dec. 31, 1953 of $10,859,654 before deduction of principal amount of debentures. This compares with $11,294,763 12 months earlier.

Net asset value per share of common stock at year-end was $16.02, compared with $16.80. Net investment income from interest and dividends on securities owned amounted to $424,974, compared with $423,391 in 1952.

Asset coverage per $1,000 of 3% debentures amounted to $5,801. Interest on debentures was earned more than 8.4 times during the year.

Stocks purchased in substantial amounts during the year included Burlington Mills, Newberry (J. J.) Co., and Union Electric Co. of Missouri.

Securities sold in volume included American Viscose, Marshall Field, Pacific Lighting and Youngstown Sheet & Tube.

Commenting on the outlook, Hugh Bullock, President, told shareholders, "There are good reasons for expecting the readjustment now in progress to be of a relatively mild and orderly character. The economy is buttressed by the current high rate of employment, income and savings. Moreover, the Administration appears determined to take counter measures to offset a business slump; and it has available effective instruments to this end. These include reduced personal and corporate income taxes, easier credit conditions, a broadening of Social Security and expenditures for public works to take up the slack of unemployment if and when it appears."

NET INCOME of Electric Bond and Share Company for 1953 was $7,264,211, or $1.38 a share, an increase of 31% over 1952 earnings of $1.06 a share, George G. Walker, President, and Curtis E. Calder, Chairman of the Executive Committee, stated in the company's fourth quarter report now being mailed to stockholders.

Net assets, based upon market quotations and including Ebasco Services Incorporated at its capital and surplus of $9,300,000, were equal to $129,737,000, or $24.71 a share, an increase of 1.6% over net assets at the end of 1952, after adjusting for the capital distribution of United Gas stock in October, 1953.

The gain in income was due principally to $1,627,818 greater income from American & Foreign Power Company Inc. Bond and Share in 1953 received four quarterly dividends of 15 cents a share, aggregating $2,365,191 on its holdings of Foreign Power common stock, whereas in 1952 interest and dividend income from Foreign Power amounted to $737,373.

The report also pointed out that the sale by the company of 110,000 shares of United Gas stock in December, 1953 resulted in a profit of $1,888,000, and that the taxable gain was offset by losses carried over from the sale of securities in previous years. The company's present holding of United Gas are 1,655,053 shares, or less than 13% of the total outstanding. The company reported that it is ahead of the time schedule under the plan approved by the SEC and the court for disposing of United Gas.

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Independence of the Federal Reserve System

haps this has helped to confuse the picture. The way to get at this situation, however, is not to demand free services from the Federal Reserve Banks, but to examine the history and effect of present reserve requirements, to see if some more up-to-date and more equitable method of fixing reserve requirements cannot be devised. The Federal Reserve System has made studies of this problem, and it is one which will have to be solved at some time if our fractional reserve banking system is to keep in step with changing conditions. But so far the interest which the banking community has shown in the problem has been small, sporadic, and perhaps, too much tinged with the particular interests of particular interests of particular groups of banks.

Does Federal Reserve Serve Selfish Interests of Banks?

Well, you now have a right to ask, what has all this got to do with the independence of the Federal Reserve System? Only this. If the charge can be made to stick that the Federal Reserve Banks now serve primarily the selfish and pecuniary interests of the private banks, the independence of the Federal Reserve System will be in danger. Whether the attack be a frontal one, involving so-called nationalization of the Federal Reserve Banks, or whether it be an encircling movement putting the Federal Reserve System, in with sprawling government departments, subject to stereotyped governmental budget and accounting procedures, the independence and the regional character of the Federal Reserve System—and, I believe, its effectiveness—will be undermined. It can happen here, particularly if bankers themselves do not take the trouble to broaden public understanding of the basic principles and the organizational advantages of the central banking system which have evolved in this country.

In defending what we have, however, and in trying to improve it as we go along, we may be in danger at the hands of friends as well as critics. Here I have in mind some of the fiction which, it seems to me, is getting mixed up with the facts about our experiences during the war and postwar period, and some of the loose language which is being used to describe our recent adaptations of flexible credit policy.

I shall refer to the earlier period only briefly. It is becoming part of the legend that during the war, and during the postwar years until March, 1951, the Federal Reserve System was the supine servant of the Treasury. The demands of capsule treatment of a difficult period in credit policy and debt management seem to make for such easy generalization. So far as the war period is concerned, I think it is closer to the facts to say that the Treasury and the Federal Reserve System reached an agreement, with some compromises along the way, as to war financing and credit policy. It is quite true that we lost our "independence," but we lost it to the inexorable demands of war. It was not meekly handed over to the Treasury in abdication of our responsibilities.

The long postwar delay in dismantling war financing policies is less defensible. Our problem was to recapture from the commercial banks of the country, and other holders of government securities, the initiative with respect to the creation of reserve credit and to restore the ability of the Federal Reserve Banks to vary the availability and the price of such credit to meet changing economic conditions. The problem was complicated by the fact that the Treasury faced, during these years, an unprecedented job of funding and refunding an enormous mass of public debt, and by the fact that large segments of that debt had not yet settled into firm hands. The bases for strong differences of opinion existed even though we and the Treasury professed the same ultimate objectives. The result of our debates was a policy so cautious, so hesitant, so distrustful of general credit measures, that credit policy lost much of its effectiveness. It is worth remembering, though, that during much of the early postwar period the Treasury was drawing in cash surpluses which were used, to a significant extent, to reduce bank reserves, and thus to offset much of whatever harm was done by our release of reserves in support of government security prices.

No Meek Surrender

Here again, however, there was no meek surrender of independence; this time it was a running fight all the way. And we did accomplish something as early as 1947 with the unfreezing of short-term interest rates, which enabled us to offset with one hand, by sales of short-term government securities, what we were doing with the other, in support of the long-term market. But despite such qualifications, those who hold that we should have acted sooner than we did to restore our freedom of action probably express the majority opinion. But to impute our failure to a lack of courage, in defense of our independence, is like sitting in the bleachers and demanding more courage of some young men who are having all they can do to stay in the game.

There is one prime fact to be remembered, also. A more independent, more effective monetary policy could not have prevented the postwar inflation; at best it could only have slowed it down. The big damage had already been done. The money supply of the country had been increased from $36 billion to $102 billion during the war, without any similar increase in civilian goods and services. The inflationary effects of this warborn development were suppressed but not eliminated by direct controls. They were bound to break out, unless we were ready and able to embark on a drastic program of deflation which would have resulted in a decline in production, a decline in employment, a decline in income, and a decline in consumption. I did not then and I do not now believe that this would have been the right prescription for the troubled postwar world, when so much depended on this country's economic strength. A credit policy so drastic as to erase the inflationary effects of war financing was not the answer. We had to grow up to the wartime expansion of the money supply through an increase in production and prices, moderated by increases in productivity. Perhaps we could have prevented some of the increase of $10 or $11 billion in the money supply which took place in 1946 and 1947, but the money and credit requirements of a massive readjustment from a war economy to a primarily civilian economy would have made even this doubtful.

When our economy had pretty well grown up to the new monetary magnitudes decreed by war and when, after the mild recession of 1949, the outbreak of hostilities in Korea set off a new spiral of inflation, we did act promptly and vigorously. This involved us, in August, 1950, in a public knockdown and dragout fight with the Treasury, which we had been trying to avoid for so long, in what we conceived to be the national interest. The independence we then asserted was broadened and affirmed in the "accord" of March, 1951, with growing support of banking and public opinion.

Danger of New Erosion of Federal Reserve Independence

That support has been evident ever since, and has found expression in the findings of two Congressional committees charged with looking into our actions and status. What we have to guard against now is renewed erosion of our independence.

To illustrate this danger, I might quote from a weekly magazine of enormous circulation. In a recent issue it published a picture of the Council of Economic Advisers with the caption "President's Prophets" and then indulged in some prophecy of its own about the anti-depression planning of the present Administration. One section of this statement said that "the 'tight money' policy, which has already been liberalized, would quickly be switched to fast expansion of credit by decreasing Federal Reserve margins, resuming the price-pegging of government bonds, and stimulating instalment buying." The implication was that this remarkable hodge-podge is part of the Administration's anti-depression planning, and that the Federal Reserve System is in the Administration's pocket so far as the implementation of such a program is concerned.

Or take another example from a banking magazine published in London. "The attempt of the Republicans to go back to Coolidge and 'sound money' has failed before it started. At the first whiff of deflation Mr. Randolph Burgess and Mr. Humphrey, the big battalions of the dear money and 'putting value into the dollar' school, broke and fled, leaving the rear guard action to the hastily organized open market operations of the Federal Reserve." Here we are tied in with the monetary ideas of President Coolidge, and charged with being used as expendables by the present Administration, when all the time we thought we were acting on our own non-political initiative to accommodate credit policy to the needs of a changing economic situation.

An erudite domestic critic puts it more subtly. He says we have again become subordinated to the Treasury by a process of intellectual osmosis. It all seems to add up to the charge that the independence we achieved in 1951 was given up again in 1953.

Now what exactly have we done during the past year? I shall leave out the way we have done it, which has caused some intra-mural debate, and confine my discussion to broad policies and broad objectives. The story cannot be definitive, of course, because to a certain extent we have been pioneering, and we shall need later judgments properly to assess the results. If we had only to work by the book, we should not have had to cope with, first, inflationary excesses and then with deflationary dangers, while the Treasury was almost continuously a borrower or prospective borrower of new money to meet cash deficits.

The Record of 1953

My outline, then, will be just a broad sketch of policies as they appeared at the time. In January, 1953, there was considerable general or non-statistical evidence of some revival of boom psychology in business, supported to some extent by the statistics of November and December, 1952. On the other hand, in the critical area of prices there was little confirmation and some denial of the emergence of inflationary forces. We were concerned, however, about consumer spending increasing faster than consumer income, the increasing investment in inventories, and the possible consequences of the prospective removal of remaining price and wage controls. The situation was characterized as precarious balance at high levels. In such circumstances a continued policy of mild restraint of credit expansion seemed indicated. In keeping with such a policy and consistent with previous open market operations, the discount rate was increased in January from 1¾% to 2%, and gains in banking reserves, resulting largely from the return flow of currency from hand to hand use, were offset or slightly more than offset by reductions in our holdings of government securities. As an indication of the mildness of this holding action, the member banks gained about $1,200 million in reserve funds from Jan. 1, 1953 to mid-March, through the return flow of currency and a decline in required reserves, and lost a little over $1,300 million through gold and foreign account transactions and a reduction in the government security holdings of the Federal Reserve Banks.

As we came into the spring season, however, the need for alertness to signs of possible declines in economic activity increased, highlighted by the decline in farm prices and farm income and the then unpredictable economic consequences of the cessation of fighting in Korea. At the same time, the pressure of an unusually sustained private demand for bank credit was augmented by the emergence of Treasury needs for new money, some of which would have to come from the banks. These cumulating pressures, operating against a policy of mild restraint on the part of the Federal Reserve System, converted that policy into one of more severe restraint than the economic situation seemed to justify. The risk of giving a final fillip to unwholesome inflationary developments, of creating a bubble on top of a boom, had receded.

Taking cognizance of this situation the Federal Reserve Banks began buying government securities in the open market during the week ending May 13 and, before the month was out, a total of $157 million of Treasury bills had been purchased. In addition the amount of reserve credit in the market was increased by $125 million through repurchase agreements made with non-bank dealers in government securities. A net increase of $282 million in reserve funds available to the market is no small chunk. It might have been considered as a significant sign of a change in policy and of a prospective easing of credit availability. But markets are creatures of expectations as well as events, and the money market and capital market had become disturbed and jittery, in the face of what they thought would be normal increases in private demands for funds during the second half of the year, accompanied by Treasury demands which seemed to grow in size with each new estimate. There was no immediate reaction to our relaxation of credit restraint during May. We were up against the fact that, at best, central banking is an art, not an exact science, that there are lags of unpredictable duration between action and reaction, and that our problems are still quite largely problems of human behavior.

The market had to be shaken out of the view that credit would not be readily available during the second half of the year, if we were not to run the risk of giving deflationary influences a hard shove into the foreground, by reason of faulty market assumptions concerning future credit policy. The action the System then took was precipitated in timing and form—but not in substance—by the needs of the Treasury. Our open market operations were stepped up in June, and lower bank reserves were announced to take effect early in July. The cynic or the skeptic can say that this reduction in reserve requirements coincided too neatly, in timing and amount, with the reserve needs of the banks, as related to Treasury borrowing, to pass muster as an act of credit policy. The alternative, however, in the face of the necessitous borrowing of the Treasury, was to allow that borrowing to press hard on bank reserves and on private financing, at a time when the economy was no longer balanced between inflation and stability, but between stability and deflation. It seemed to me then, and it seems to me now, that it would have been economically unjustified to run the risk of tipping the balance toward deflation.

From early July until early September, we followed pretty much a hands-off policy while the economy moved sidewise at high levels and with stability in the broader price indices. We had become convinced, however, that it was safe to make our errors on the side of credit ease and, during September, we began to anticipate the expected increase in demand for credit during the last quarter of the year. The fact that private demands for credit did not come up to seasonal expectations made it look as if we had overshot the mark by our purchase of $359 million of government securities during September and the first week of October, and this exposed us again to the charge that we had become creatures of the Treasury's needs. I have no hesitancy in saying, however, that our policies were dictated primarily by economic factors, other than the Treasury's debt management problems, and that whatever mistakes we made were not dictated mistakes.

It is an unfortunate fact that our estimates of what may happen to bank reserves from day to day and even from week to week, as a result of ordinary market factors, are not too accurate. Over a longer period they come out pretty well, but the intervening swings may be wide. If we were going to give the business community and the money market a lead as to credit policy during the last quarter of the year, when it seemed necessary that there be no question of the continued availability of reserve funds, we had to run the risk of overshooting our immediate objective in order to achieve the longer term result.

When the demand for reserve funds again began to catch up with the supply at the end of October we resumed open market purchases of government securities and carried on through the year-end. And, as the special demands of the year-end began to impinge on the central money markets, while the reserve position of the rest of the country remained easy, we gave special relief to the money market by reducing from 2 to 1¾% the rate applying to repurchase agreements with non-bank dealers in government securities. In this way the dealers were enabled to supply a temporary home for short-term Treasury securities which corporations and others wished to convert into cash in connection with year-end adjustments, and the banks were provided with additional reserves with which to meet seasonal demands.

The Reserve System's Objectives

There, in brief, is the story. We have been trying to do what it is possible for monetary management to do in helping to maintain a high level of production and employment without encouraging inflation or deflation. In the process we have moved from a policy of mild restraint, when the business situation still had some aspects of a "boom," through a brief period when market expectations induced more vigorous restraint than we had contemplated, to a policy of increasing ease, as signs of a modest and gradual downturn in the economy became more and more evident. At no time since last June has there been any real concern about the ready availability of reserve funds needed to support the credit requirements of the economy.

On the record, therefore, and without claiming too much credit for what has happened, because monetary policy, at best, is only one part of the picture, I would say we have been reasonably successful. Up to the end of 1953 adjustments which were taking place in the economy proceeded gradually, without setting off a chain reaction of downward movements. If this continues, present policies plus the normal forces of growth in our economy, which are very strong, should be sufficent to reverse the movement before it has gone too far, too fast. If a cumulative decline should appear to be getting under way—if this second transition from "war" to "peace" should show signs of economic breakdown — it would be necessary to try to check the movement with more positive measures.

I now submit that the record of the Federal Reserve System during the past year has been the record of an independent central banking system, performing its functions within the framework of the American political system, and in the light of the economic conditions with which it was confronted. It is less than accurate, and less than fair, to try to shove it back into a niche at the Treasury. To be sure our policies have been consistent with the over-all economic policies of the government, and have coordinated well with the debt management policies of the Treasury. That is what you would expect when reasonable men have the same objectives and are working from the same set of facts in formulating their policies and programs. We do not seek to use our independence to oppose government, merely for the sake of showing our independence. That would be intolerable and impossible. As I have said before, our independence it within the government of the day; we cannot be independent of the government. But neither can we afford to be — even be suspected of being — independent within the government when it is of one complexion, and subservient when it is of another. If that should happen, our independence would be a sham, and would be destroyed with the next turn of the political wheel of fortune.

That is why I have taken your time and tried your patience with this review of our policies during the past year. It is important that they be understood, if we are not to begin to slip again into a situation which, eventually, would bring the independence of the Federal Reserve System into jeopardy.

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No Snowballing Into a Major Stock Market Decline!

goods expenditures have passed their peak but while this is probably true it does not follow that they will undergo a precipitate decline. A Philadelphia Federal Reserve Bank Survey made a short time ago discloses that industry in the Delaware Valley is planning an increase of 18% in capital expenditures from '53 to '54 compared with an increase of 14% from '52 to '53. This is an isolated instance to be sure and is much better than the 4% decline forecast for the rest of the country, but, here is Mr. Curtice, President of General Motors, announcing that his company intends to spend $1 billion on capital improvements during the next two years (a rate higher than that of recent years). Incidentally, Mr. Curtice spoke of the responsibility resting on American business to avoid government intervention by itself continuing to forge ahead instead of taking to the storm cellars. There is more in this than simply a commendable community spirit on the part of Mr. Curtice . . . the fact is that the compunction which drives the businessman to improve his markets and competitive position is always greatest when business is good. This is one of the things which makes and ultimately breaks a boom.

Secondly: It is said that a further upward movement on a big scale is not in the cards without either another war, or another building boom, or some technological revolution such as railroad diselization to support it. But, as an offset to this, the Research Laboratories of our leading companies are working harder than ever before creating new techniques—new products—and in some cases whole new industries, and obsolescence is growing faster than ever before.

Thirdly: Advertising and selling programs are being stepped up on all sides. In this connection it must be remembered that the American public likes to be sold. It has plenty of cash and liquid assets and a readily available supply of consumer credit to put it in a position to respond to a convincing sales talk. No one knows what the attitude of the consumer will be but American business does not propose to adopt a "wait and see policy." On the contrary it is determined to go out and create the demand for its products.

Fourthly and finally, a new ingredient has been added to the economy in that for the first time in 20 years there is an Administration in Washington which is a friendly Administration—friendly alike to business, capital and labor. Although this is "old hat" by this time, I do not believe the importance of the change has even now been fully realized. For one thing most businessmen after 20 years of the New Deal have felt that a real change would be too good to be true. This applies particularly to the Taft supporters who looked on Ike as not much better than a Republican New Dealer from whom little could be expected. For another, the Administration has spent its first year in office doing little more than laying the ground work for a fundamentally different approach to such important problems as taxation and budget management, and its long range planning is only beginning to be revealed. While it is true that the administrative program may be bogged down in the cross currents of politics, there is at least a chance that important parts of it may become the Law of the Land. To the extent that this is so, it may well result in a significant change in the all important factor of psychology which determines in such large degree business decisions and the turn-over of our money supply.

To sum up, it is my observation during the time I have been in the investment business that the rug is invariably pulled out from under us at times when we are looking confidently for bigger and better things. Purely on the basis that all of us have carefully been looking under the bed for signs of a cumulative depression in 1954, it is my personal guess that we won't get one. The result of the current recession and of all the doubts and misgivings which have been expressed in recent months instead of being to "talk ourselves into a depression" could well be to lay the foundation for at least a temporary resumption of the boom.

But, if you're in the business of taking care of other people's money you can't indulge yourself the luxury of taking your own or other people's predictions too seriously.

The function of the institutional investor is essentially a protective one and as a consequence he must in the nature of the case lay his plans in the light of the least favorable possibilities.

Are Equities Attractive

Dealing first with common stocks, how attractive are equities looked at from this point of view? We have estimated the dividends which we may reasonably expect to receive from the stocks on our Investment list, not in good years and not in very bad years, but in periods of relatively low earnings on capital. For the various groups, and figured in relation as to prices as of Dec. 31, 1953, these yields work out as follows:

Public Utilities	5.20%
Retail Trade	4.9
Banks	4.5
Insurance stocks	4
Foods	4.3
Tobaccos	5.5
Packaging & related products	4.4
Chemicals	3.4
Drugs	3.5
Oils	4.3
Textiles	6.1
Automobile & related industries	4.3
Aircraft Manufacturing	5
Building & Maintenance	4
Electrical Equipment	4¼
Machinery & Equipment	4.6
Steel	6
Non-Ferrous Metals	5

In bad years these yields would be lower, but taking an average period of good and bad years, they may be a fair indication of average return.

In a 3% money market these average expectancies while not outstandingly attractive, considering the risks involved, nevertheless seem reasonably good — especially if we consider the tax advantage which may perhaps accrue to dividends if the proposal approved by the House Ways and Means Committee goes through.

Another approach to the problem of common stock values is developed in a chart which we have put together in which we have projected for 1954 a reasonable price range for the following representative stocks:

American Can
American Tobacco
Bethlehem Steel
Chrysler
du Pont
General Electric
General Foods
General Motors
International Harvester
Johns Manville
Procter & Gamble
Sears Roebuck
Standard Oil of New Jersey
Texas Co.
Union Carbide

Based on a seven-year moving average of high and low prices in relation to book value and projecting the result as a possible range for the coming year, we find that prices of these leading stocks are about midway between the high and low projections for 1954. Another indication that, while not cheap, these stocks continue to offer fair value.

Blue Chips Versus Pale Blue Chips

Our Common Stock List has for some time included a number of good stocks which are not market leaders. In recent years they have not done as well as the "Blue Chips" and recently we made a comparison of representative stocks in both groups to determine their relative values:

List #1

J. C. Penney
American Can
National Lead
Union Carbide
General Electric

List #2

Federated Department Stores
Sutherland Paper
Ruberoid
Hercules Powder
Square "D"

Over the entire period from 1929 to 1953 List #2 performed better than List #1 from the standpoint of growth in net worth, earnings and dividends. The only period during this entire time when the performance of List #1 has been better was from 1947 to 1953 when earnings per share and dividends increased at a slower rate for the second list than for the first.

A comparison of what $100 invested at the market will buy in terms of earnings, dividends, net working capital and net worth is shown below:

Per $100 Market Value	List #1	List #2	% #2 to #1
Current Earnings	$6.32	$10.15	160
Current Earns. (adj. to 50% tax)	8.21	13.57	165
Dividends (Current)	4.25	5.98	141
Net Working Capital (1952)	8.60	34.00	395
Net Worth (1952)	38.00	78.00	217
Dividend Coverage			
By Current Earnings	1.5	1.7	
By Adjusted Earnings	1.9	2.3	
By Net Working Cap.	2.0	5.7	

Preferred Stocks

Preferred stocks have been used freely in Pennsylvania partly because of the Pennsylvania Personal Property Tax feature from which most of the good ones are exempt, and we continue to find a few values in this field. I am aware that Preferred stocks are not favorably regarded in a great many quarters but we feel that for all practical purposes the income on a stock like du Pont Preferred is about as safe as the interest on a government bond. Admittedly marketability in most cases is at times poor and price fluctuations are wide. Furthermore in the event of a permanent upward shift in interest rates the risk of loss is very real. Yet if you compare the market action of du Pont 3½% Preferred over the past eight years with long-term Treasury 2½s or Norfolk and Western 4s for example, du Pont Preferred shows up very well.

It is worthy of note that the dividend credit proposal would presumably benefit preferred shareholders as well as common shareholders if it goes through.

Tax Exempt Bonds

The tax exempt market has so many segments that it is difficult to generalize. The best values in our opinion have been obtainable from the P.H.A.'s . . . some of the Turnpike Issues and special situations such as—in Pennsylvania —our School Authority Bonds. The steady flow of tax exempt P.H.A.'s may be interrupted if the recent proposals made in Congress are adopted, and if this occurs, the outstanding issues may acquire a scarcity value. On the other hand, the issuance of Turnpike securities shows few signs of diminishing and relatively good yields will probably continue to be obtainable from this source, although as more "branch line mileage" is built increasing discrimination will have to be shown in choice of issues.

Conclusion

Although there are not many outstanding values in any field, there is a sufficient number of reasonably good values available to provide the professional investor with a good range of choice in 1954. It is not yet time to turn everything into cash and short governments.

New York Stock Exchange Weekly Firm Changes

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

Martin Berkowitz will retire from partnership in Joseph Klein & Co., Jan. 30.

C. Kenneth Smith, limited partner in Bache & Co., became a general partner as of Feb. 1; on the same date Sam J. Smith, general partner, became a limited partner and Morton F. Stern, general partner, became a general and limited partner.

Geoffrey C. Armbrister, general partner in Dobbs & Co. became a limited partner Feb. 1.

Jacques Kermisch, general partner in Sutro Bros. & Co. became a limited partner Feb. 1.

Stern Brothers Add

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Leslie B. Meyer has become affiliated with Stern Brothers & Co., 1009 Baltimore Avenue, members of the Midwest Stock Exchange. Mr. Meyer was formerly with the Bankers Bond & Securities Co., Scherck, Richter Company, and Edward D. Jones & Co.

With King Merritt Co.

(Special to The Financial Chronicle)

SALISBURY, Mo.—Rudolph C. Boeger is now connected with King Merritt & Co., Inc.

Bramman-Schmidt Adds

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — John P. S. Barrett has become affiliated with Bramman - Schmidt - Busch, Inc., Boatmen's Bank Building, members of the Midwest Stock Exchange. He was previously with A. A. Tibbe & Co.

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Gold Price and Gold Standard

move out of the United States. Since gold in quantity can be obtained for dollars through the Central Banks, and as the dollars in foreign hands have accumulated to immense sums for which gold is demanded, is there any reason for surprise that the price of gold has been determined by the United States selling rate?

Movements of gold from the USSR merely reveal that the Russians desire more goods from abroad than they can match with exports acceptable to those with whom they are trading. To receive gold for goods at the prevailing rate is surely beneficial to the economies of the European countries and from our standpoint the Russian sales should be regarded as a most favorable development.

The possibility of sale of United States butter to Russia for gold ought to be seriously entertained. The price at which butter would find a market abroad (Russia or elsewhere) is certain to be less than the domestic cost of production in a currency that is depreciated at home and overvalued abroad by the dollar being redeemable in gold at the current official rate—and it is sure to be lower than the subsidized price paid by the Government to domestic producers. If the price of gold were raised, a foreign holder of gold might be willing to meet the domestic quotation, but I doubt if there would be much change in the amount of gold offered per unit of butter. Even the advocates of a managed currency ought to recognize that gold keeps better than butter and provides a much safer way to store wealth.

In spite of the unfavorable conditions of the times for gold mining, however, there seemed to be a feeling of optimism in the air at the close of the year, particularly in South Africa. There, in spite of declining margins of profits in most of the operations, the output of gold from the many new and daring enterprises in the Orange Free State was beginning to become a significant factor and the importance of the additional revenue to be derived from uranium was becoming better appreciated. With these two encouraging factors, a future output at least equal to the record to date seemed assured for the great South African gold fields, even though some doubt with regard to the adequacy of the profits from the vast investment in new mines and plants might still be entertained if the returns are still restricted by ill-advised monetary policies.

Conditions continue to be particularly difficult for the Canadian gold mining industry. The change from premium to discount in the price of the American dollar resulted in a drop of close to $4 since 1940 in the return per ounce in Canadian dollars, which far more than offsets the cost-aid provisions of the government for a portion of the output. Costs, already high, were further increased as a result of a futile and ill-timed strike in most of the camps of Ontario, called by the leaders of the United Steelworkers Union of America, that resulted in many weeks of shutdown with immense losses to the employees, to the stockholders and to the communities. Under these circumstances, it is hardly surprising that scarcely a third of the gold mines that were active in 1941 are now producing, and that exploration for new deposits has almost ceased.

In the United States, little incentive exists for endeavoring to discover and develop new gold mining enterprises though the few established operations, such as the Homestake, the Golden Cycle in Cripple Creek and the dredging companies continue to hold their own by virtue of economies and technical advances of one sort or another.

Confidence in the outlook for gold mining in the years immediately ahead still persists, however, for a swing either way in the economy of the country could bring marked benefits. If the depression expected by so many alleged experts actually develops, gold mining companies should prosper in the traditional way even with no change in price of the metal. If, however, the experts are wrong, which is usually the safest thing to anticipate, the flow of gold out of the country as foreign balances build up as our exports decline in an increasingly competitive world will in all probability force a revaluation of the dollar in terms of gold. Let us hope for the welfare of the country, as well as for the dwindling gold mining industry, that the needed step will not be postponed until our metallic monetary stock has been even more seriously depleted. It should be taken soon and in an orderly manner so that our own economy will receive the maximum benefit from the inevitable increase in the price of gold.

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Mortgage Credit in 1954

mushroomed since the war. It also reflects the need for other types of facilities to accompany new home building, in the form of public services, stores, churches, recreational conveniences, and roads, to keep up with the ever expanding residential population. It can be anticipated that, provided business and employment continue at high levels, the demand will continue for all of these types of construction.

It is estimated by the Department of Commerce that in 1954 there will be only a mild contraction in demand for new construction. Expenditures are expected to reach $34 billion for this purpose—about the same as that for 1953.

In estimating this volume of construction, the Department of Commerce suggests that to conform with the forces of demand and supply, the actual building of new homes this year will decline slightly. This decline will be offset by the expected larger volume of dollar outlay for home modernization and repairs and improvement of existing structures, especially for the new smaller homes which must be expanded to accommodate growing families, and also for programs which are being set in motion in many cities for urban redevelopment and the improvement of blighted areas.

Sources of Mortgage Investment Funds

Because of their long-term nature, "Savings" are traditionally the primary source of funds for mortgage investment.

The volume of savings now on deposit in banks or held by other types of thrift institutions is very large and has continued to grow at a rapid rate, indicating a persistent increase in the coming months of 1954. This will assure ample resources for mortgage credit. Time deposits in commercial banks increased $2.5 billion in 1953, savings in mutual savings banks increased $1.8 billion, share accounts in savings and loan associations increased $3.6 billion, and life insurance policy reserves increased $4.5 billion. The growth in savings, as reflected by all of these sources, totaled nearly $12.5 billion for the year. This is a tremendous supply of new capital available for normal mortgage purposes. It is an insurance policy, safeguarding the future of our national welfare.

When the annual amount of mortgage redemptions and payoffs, amounting in 1953 to more than $10 billion, is added to the amount available from the growth of savings, we obtain some conception of the vast amount of money available for long-term investment, all within the framework of our private enterprise system, and with no government money needed to add artificial support.

Substantial amounts of savings can and will be directed into mortgage investment—provided the economic situation permits and sound loans are available at reasonable rates. Without these qualifications, all of which are part of a "sound" national economy, credit will not, and should not, flow into the housing field in unlimited amounts, because if it does, the inevitable result will be disastrous.

Interest Rates

The regulated interest rate characteristic of FHA and VA mortgages played an exceedingly important part in mortgage affairs in 1953. It had long been apparent that the required rate set by directives of governmental agencies did not reflect true market conditions at a time when interest rates were changing in all other areas. Until rates stabilized during the last half of the year, the secondary mortgage market remained greatly confused.

Interest rates are subject to change and should always be permitted to reflect a free market based upon the basic economic principles of supply and demand. In like manner, the situation in the mortgage market in the early months of 1953 demonstrated the need for flexibility in interest rates on government-insured and guaranteed loans to meet changing economic conditions.

With the return to more stabilized conditions in the money market in the last half of 1953, there was a rapid return of investment demand for good mortgages. The year 1954 should see this demand continued, with ever growing reliance on sound building construction programs and on conditions more clearly reflecting the forces of supply and demand. The mortgage security will be analyzed by lenders more closely as to quality, need, and whether or not those who seek credit can justify the financial burden they contemplate undertaking.

The easing in the money market resulted, at least in part, from the market stabilization activities of the Federal Reserve System and from the decline in the volume of new capital issues.

Corporate bond offerings in 1953 were down 10% from the year before; and there is every indication that there will be a further decline this year, amounting to as much as $5 billion.

Capital needs will be less because of larger depreciation, occasioned by the higher cost of new assets, and the completion of projects subject to accelerated amortization. Inventory contraction could reduce working capital needs by several billion dollars above this year, and the elimination of the excess profits tax will lessen the incentive to build up borrowed capital to broaden such a tax base.

There is every indication that these conditions and the consequent decline in new capital issues will result in lower interest rates on bonds, which in turn will make the yield on mortgages at the existing 4½% regulated rate more attractive. Advance commitments for loans should again be available in volume for sound building projects.

The Challenge to Private Industry

Financing home construction in the coming months as a means of continuing the high level of business activity is a real challenge.

With the appointment of Albert M. Cole to the office of Administrator of the Housing and Home Finance Agency last year, the Administration embarked upon a complete study of the entire national housing and home financing problem. Through shirtsleeve conferences with leaders in this field in all parts of the country, Mr. Cole has obtained a first-hand understanding of the problem, and has set in motion a plan for its solution.

President Eisenhower appointed an Advisory Committee of 23 representative leaders concerned with housing and home credit, with the directive to recommend revisions and new procedures for this phase of our national economy.

The Committee's conclusions and recommendations will undoubtedly be used as a guide for the Administration's new housing policy.

The highlights of this study involve:

Slum clearance and urban redevlopment, with insurance of such loans by FHA.

A plan for loans and grants providing for rehabilitation of areas believed to be worth saving.

Plans for improving existing housing.

30-year FHA loans.

The formation of a new secondary mortgage marketing corporation.

40-year, 100% loans to house low-income families.

Coordination of programs and functions of FHA and VA, especially in respect to technical functions of processing VA loans.

Some of these, and other recommendations included in the report of the President's Advisory Committee, will undoubtedly be a part of the new Administration housing bill; and we shall then perhaps have the greatest change in our housing and home finance program since the formation of the Home Owner's Loan Corporation in 1933 and Federal Housing Administration in 1934.

During the tenure of the previous Administration, housing and home financing became a major political objective of government. Because of its great importance to many millions of people and because of the effect of the home construction industry on our national prosperity, it will continue to occupy an exceedingly important place in the present Administration policies. The Administration will continue to be deeply committed in this field of housing and mortgage credit.

As an indication of the government's position on this subject, Mr. Cole has indicated that there are now more than 40-million nonfarm homes, of which it is estimated that 20% are substandard. The estimated value of all housing is nearly $300-billion, an amount many times greater than the whole hoard of U.S. Government gold. The Administrator believes that the government has a basic responsibility to preserve and protect this investment in housing by the American people, in a manner as careful as that with which it preserves the economic strength of the monetary system.

As plans unfold in 1954 for housing and mortgage credit, one thing stands out crystal clear. It is that government will encourage private enterprise to do as much of the housing job as possible, and that the government's role will not be the dominant one.

The Attitude of Others in Government

There are other evidences of the government's desire that private industry do the job. Congressman Wolcott, chairman of the House Banking and Currency Committee, has emphasized this point. He believes that stabilization of the American economy is essential to world peace, and urges private industry to do its part in the housing field as part of that objective. Chairman Wolcott is a staunch defender of private enterprise. He believes that government should refrain from making direct loans out of the public Treasury in fields of real estate and home finance, for he regards such acts as competition with private industry. He looks to private industry to furnish credit for needed home construction itself, rather than depend upon the crutch of government. We must accept the challenge and meet our responsibility so far as it is possible to do so.

The anti-inflationary efforts of Representative Wolcott are revealed by his expressed opinion that down-payments on FHA loans should not be lowered, except and until there is such a cutback in the home construction field as to require this means of accelerating the production of homes. This, too, is a reasonable and statesmanlike method of providing for a healthy and prosperous America.

Similar constructive views are expressed by Senator Capehart, chairman of the Senate Banking and Currency Committee, who believes it is up to industry and finance to determine for itself the need for housing and the extent of the risk it wishes to take in this field, all within the realm of a conservative free enterprise system. He states that all of the leaders in the government, in home building, and particularly those concerned with the investment of institutional funds, should be united in one common endeavor, the good of every individual and the good of the country. Selfish aims and desires have no place in a free enterprise society.

What to Look For in the Coming Months

As a result of long and thoughtful deliberations by the Housing and Home Finance Agency and the President's Advisory Committee, new developments as a part of the President's program are likely prospects in 1954.

One of them is the possibility of evolving an improved distribution of mortgage credit for areas of need to supplant Fanny May. I believe a sound plan should be developed, but for use only when investment funds are unavailable. A secondary mortgage market should not be established for the purpose of direct government lending or to create inflationary credit, because government officials have rejected inflation as a matter of government policy. Now is no time to create any agency subsidized by government or stimulated by private capital to make credit easier, and business and banking leaders who have a moral and ethical interest in social welfare should nevertheless oppose any proposal which makes for unsound mortgage credit.

A number of proposals for some form of supporting the secondary mortgage market have been made; but for the most part, they seem to indicate in reality a primary market. We are working on a plan which we believe can solve the problem of bringing mortgage credit to all areas of need.

Although mortgage credit is more readily available today than was the case some months ago, another great need is a flexibility in the rates of interest on FHA and VA loans. Those who are concerned with the purse strings of our economy have long advocated that interest rates be flexible and be permitted to fluctuate in accordance with the normal laws of supply and demand. Such a policy might even do away with the necessity for a secondary mortgage market and would help cure the problem of furnishing adequate mortgage credit.

The notable "accord" between the Treasury and the Federal Reserve Board in March 1951 put such a policy into effect with respect to U.S. Government securities. Why should not the same "accord" be adopted with respect to the regulated rate of interest on mortgage loans?

Conclusion

We all need to support the Administration in its serious endeavor to pursue a policy of a sound and honest dollar. It is the only safe way to protect our way of life against inflationary pressures which have grown up so strongly in recent years.

Home ownership, by every one financially capable, is an ideal situation for this country to pursue; and we should foster it, but always within the limits of a sound economic policy. Lenders need to keep themselves in a position to grant all the credit that is needed for sound development within the country, both now and in the future when the need may be even greater.

The answer to ample housing facilities and good credit does not lie in the inflationary effects of pump-priming activities or the extensive granting of long term credit. If an adjustment is required because of normal business changes, it should be orderly. If credit is constantly eased in the face of lessening demand, in order to maintain high production levels, then the adjustment period will not be orderly but delayed; and when it does occur, as it must, it will be much more severe.

Our objective must be to support strongly a sound and honest dollar and a program in the housing and home financing field which is good for the builder, is good for the buyer, good for the lender, and above all good for the national welfare.

Joins F. N. Warren Co.

(Special to The Financial Chronicle)

EMPORIA, Kans. — Paul M. Wiesner has become associated with Frank N. Warren & Company, Citizens National Bank Building. Mr. Wiesner was formerly with Edward D. Jones & Co. of St. Louis.

Joins Schirmer, Atherton

(Special to The Financial Chronicle)

PORTLAND, Maine — Brewster D. Doggett has become associated with Schirmer, Atherton & Co., 634 Congress Street. Mr. Doggett was formerly with Chace, Whiteside, West & Winslow, Inc., and A. C. Allyn & Co.

With Goodbody & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—John T. Callahan has become affiliated with Goodbody & Co., 1 North La Salle Street. He was formerly with Rothschild & Company.

Forming Zock, Shields Co.

Joseph A. Zock, member of the New York Stock Exchange, and Anthony J. Shields will form Zock, Shields & Co. with offices at 14 Wall Street, New York City, March 1. Sara M. Zock will also be a limited partner in the firm.

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Atomic Power—A Realistic Appraisal

try, the size of its role has been decreasing. In 1953 the source of electric energy was roughly 25% hydro and 75% fuels. Only eight years earlier, hydro accounted for 36% of the total. It is quite certain that by 1978 the percent generated by hydro is going to be less than 20%. The balance will be supplied by fuel—most of it by the fossil fuels, coal, oil, and gas; and some relatively small part, perhaps, by atomic fuel.

In recent years, oil and gas have made inroads in the fuel market theretofore enjoyed by coal. In the long-term picture, however, these are transient occurrences. As oil and gas supplies decline, coal will again pick up more and more the fuel burden dropped by them.

Do we have adequate coal reserves that can be economically burned to supply our energy needs if they are to come from conventional fuels?

There is no agreement even among geologic experts as to what these reserves are. But it is well to note that disagreement is as to whether the reserves are adequate for the next 2,000 years or only for the next 300 years. If recent judgment has veered toward the lower figure, at least there is no disagreement that reserves adequate for the next several hundred years are available and have been proven.

Other parts of the world, of course, are not so fortunately situated with respect to conventional fuels. Indeed, even parts of this country — which in general has thus far been favored with fairly well distributed, relatively plentiful sources of economical energy—will begin to face materially increasing costs in coming decades as the best deposits of fossil fuels are exhausted. But in the main, because of this country's generally favorable situation with respect to fossil fuels, and particularly coal, we are not likely to benefit from atomic power—atomic fuel—as soon as other parts of the world, which are not so ideally located with respect to conventional sources of energy.

Commercial Atomic Power Still Long Way Off

Now, what is the status of energy production by atomic fuel? I am sure you all know that when we talk about atomic power, we are talking about power to be produced by presently known means and technologies, but substituting uranium-235 or plutonium or some day, perhaps, uranium-233 for coal or oil or gas. That is, electric power will continue to be generated mostly by steam turbines in which heat energy will be utilized to generate steam, which will drive turbines, which in turn will drive the electric generators — basically the same kind of generators we have today —to produce the electric power. The chief difference is that the fuel will be atomic fuel.

Last summer, the Joint Committee on Atomic Energy of the Congress held extensive hearings on the subject of atomic power and published a full account of these hearings. The object of the hearings was to determine what the facts were with regard to the possibilities of developing atomic power; what the various sections of our society thought about the problem; and, particularly, what private industry might be able to do to develop atomic power and bring about its peacetime use. These hearings made rather clear that commercial atomic power is not just around the corner and that very hard, very expensive, time-consuming work remains to be done before commercial atomic power can be a practical reality.

It is very important to avoid any confusion about the technical feasibility of atomic power. Atomic power in that sense is here; that is, we can produce power from the fissioning of atomic material—natural uranium, or U-235 enriched uranium, or plutonium. Technically this has already been accomplished. A reactor adequate to drive an advanced design submarine which is well along towards completion, the USS Nautilus, has been built and is operating experimentally at the National Reactor Testing Station at Arco, Idaho. The keel of a second submarine, the USS Sea Wolf, has been laid; and it, too, will be driven by an atomic power plant of a somewhat different design than that which will power the Nautilus. Other reactors for the propulsion of naval war vessels are in process of development. Any one of these reactors could be put to work to generate power for peacetime use in the home, on the farm, and in industry—except for one thing, the item of economics.

The Cost Question

As the Chairman of the Atomic Energy Commission put the matter very succinctly in his remarks of some months ago:

"The naval atomic energy units do not have to meet present competition with diesel fuels, of course, because of other great tactical advantages of atomic power plants. These include the ability to operate submerged for long intervals, and to cruise at speed for many thousands of miles without refueling. On the other hand, civilian atomic power must justify itself by being competitive in cost with present power sources."

So we see that, while atomic power has been proved, atomic power that can take its position in the market place and meet the test of competition with other forms of energy is another matter. While it is not likely to be here for some time to come, that does not mean that a great deal of work is not going on to help develop it. Research and development looking toward that end are proceeding at many of the National Laboratories; at Brookhaven, Knolls, Oak Ridge, Argonne; and at locations like Bettis Field and the National Reactor Testing Station at Arco, Idaho. A number of impressive foreign projects are under way: In England and in Norway, reactors are in process of construction having as their objective the development of atomic power for ordinary civilian use. The last session of Congress authorized the Atomic Energy Commission to spend up to $7 million appropriated for research and development for the beginning of construction of a land-based reactor also for ordinary electric power production. But no one who is familiar with power reactor technology believes that this reactor—or any other first reactor—would be able to produce electric power that approaches in cost power produced by more conventional means.

Why is this so? Very simply: There are still a great many technical problems to be solved in reactor design, in reactor vessels—that is, the shells or drums housing the reactors—in design of atomic fuel elements, heat transfer systems, fuel element life, fuel reprocessing, valving, controls (the list could be greatly extended) before we can bring the cost of reactors and atomic fuel down to the point where the energy they produce is competitive with conventionally produced electric power.

I should reemphasize that this is especially true in most of the economically important areas of the United States where abundant and economical fuel supplies are available.

Technical Problems Must Be Solved

In attempting to solve many of the still unsolved problems, we find that there is simply a bewildering number of possibilities in reactor design, each of which can produce the same technical results but with different economic advantages. The attractiveness of each and the economic evaluation of the positive and the negative features are probably impossible of assessment until actual systems have been built and operated. The solution of the main technical problems which confront us will probably not be achieved except in the process of building and operating actual reactor systems. From this standpoint, the significance of the Atomic Energy Commission's announcement of its decision to proceed with the design, construction, and operation of the 60,000 kw so-called PWR reactor is in that a start has been made along the long road ahead of achieving a practical reactor capable of producing electric power for peacetime use on a competitive basis.

The President's proposal before the General Assembly of the United Nations to create an International Atomic Energy Agency under the aegis of the United Nations is one of those straightforward and timely ideas whose effect will be felt for a long time. The proposal that the scientists of the world, who, in atomic matters, have been kept apart, be brought together to work with fissionable materials contributed jointly by the governments involved to the International Atomic Agency, in a joint effort to develop atomic power applications to the needs of agriculture, medicine, other peaceful activities, and, in particular, to provide electrical energy in the power-starved areas of the world, is a basic idea arising out of broad vision and deep understanding of the sore need of humanity in these fateful times. The implementation of this idea will raise numerous complex and difficult problems in national security, in division of effort and benefit, in location of operations, all of which will have to be successfully solved as a prerequisite to carrying out the proposal.

But the great value of the President's inspirational idea is not in the direct and immediate contribution it may make to reduce the time within which atomic power may become a competitive reality. That, as I pointed out before, will take time — in laboratories, in shops, in the erection and operation of actual experimental reactors. That time cannot materially be lessened merely by supplementing national action by international action in these fields. The President's unique contribution has been in helping to put a brake on the titanic and speed-gathering train carrying atomic and hydrogen bombs that has been bearing down on the human race. In deemphasizing the wartime and in emphasizing the peacetime use of the atom, the President has not only cleared national policy on atomic development but has raised a vision of help and encouragement for the poorer—and particularly the power poorer — countries of the world. Thus, by reviving their hope, we help strengthen their will to live on as free and independent members of a free world. These conditions which the President's speech has so strongly fostered are among the indispensable requisites to healthy peacetime power development.

The President's idea has already done much to clear the atmosphere, so to speak, in atomic power policy development. If we can now continue forward with the processes of constructive national and international action thus envisioned, it should be possible to enjoy a decade of fruitful developments in power reactors. It would appear almost inevitable that within this decade a number of the most promising types of such reactors will have been built in large experimental sizes and their lessons evaluated. A few may even have been put into commercial operation in special areas.

But again we must try to see this prospect in a clear perspective. Assuming only normal difficulties and disappointments in the developmental phase that we are now entering, the effect of atomic power on sources of energy in the United States is still bound to be almost negligible during the next 10 years and only slight during the ensuing five years. In the decade after that, it may pick up to some significant figure. But a great deal of work still remains to be done before it will be possible to determine whether—and more importantly when—atomic power can take its position in the market place and meet the economic test of other forms of energy in areas, like the United States, having these in abundance.

Dillon, Read Group Underwrite Offering

Dillon, Read & Co. Inc. heads an investment banking group which is underwriting an offering by Southwestern Public Service Co. to its common stockholders of 272,500 shares of additional common stock. The subscription warrants which expire Feb. 16, 1954, evidence pre-emptive rights to subscribe for the new stock at $22.50 per share at the rate of one share for each 14 shares held of record on Feb. 1, 1954 and give holders the additional right to subscribe at the same price, subject to allotment, for shares not taken upon exercise of the pre-emptive rights.

Dillon, Read & Co. Inc. will act as dealer-manager of a group of securities dealers in soliciting the exercise of subscription warrants.

The utility company proposes to use the proceeds of the sale of the new common stock and of $12,000,000 new first mortgage bonds which are being placed privately through Dillon, Read & Co. Inc., for the construction of additions and improvements to its properties or to repay bank loans obtained for that purpose. The company estimates that it will spend approximately $23,400,000 for construction during the fiscal year ending Aug. 31, 1954 including $14,400,000 for new electric generating facilities and $8,600,000 for transmission and distribution facilities.

The company is principally engaged in the generation, distribution and sale of electric energy in a territory which includes the Texas and Oklahoma Panhandle, the South Plains region of Texas and the Pecos Valley area in New Mexico. The population of the territory served is approximately 731,000. For the 12 months ended Nov. 30, 1953 the company reported total operating revenues of $30,323,533 and net income applicable to the common stock of $6,390,336 including $725,000 extraordinary Federal income tax saving resulting from accelerated amortization.

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)	Feb. 7	§73.9	*75.6	75.4	92.7
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 7	§1,762,000	*1,802,000	1,798,000	2,202,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 23	6,292,300	6,332,500	6,252,800	6,491,750
Crude runs to stills—daily average (bbls.)	Jan. 23	†7,018,000	6,968,000	7,011,000	7,031,000
Gasoline output (bbls.)	Jan. 23	24,241,000	24,163,000	25,192,000	23,154,000
Kerosene output (bbls.)	Jan. 23	2,753,000	2,836,000	2,505,000	2,759,000
Distillate fuel oil output (bbls.)	Jan. 23	10,564,000	10,323,000	9,952,000	11,121,000
Residual fuel oil output (bbls.)	Jan. 23	8,296,000	8,923,000	8,702,000	8,771,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 23	167,781,000	165,551,000	156,030,000	145,879,000
Kerosene (bbls.) at	Jan. 23	24,034,000	25,873,000	30,251,000	23,890,000
Distillate fuel oil (bbls.) at	Jan. 23	91,401,000	99,675,000	117,231,000	85,179,000
Residual fuel oil (bbls.) at	Jan. 23	47,247,000	49,066,000	49,810,000	46,918,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 23	617,226	619,871	480,978	697,515
Revenue freight received from connections (no. of cars)	Jan. 23	592,947	582,053	518,935	663,234
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 28	$171,054,000	$173,545,000	$153,197,000	$599,911,000
Private construction	Jan. 28	78,535,000	103,189,000	52,193,000	453,422,000
Public construction	Jan. 28	92,519,000	70,356,000	101,004,000	146,489,000
State and municipal	Jan. 28	63,389,000	51,844,000	89,087,000	102,500,000
Federal	Jan. 28	29,130,000	18,512,000	11,917,000	43,980,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 23	8,175,000	8,180,000	6,515,000	9,210,000
Pennsylvania anthracite (tons)	Jan. 23	711,000	685,000	499,000	550,000
Beehive coke (tons)	Jan. 23	Not avail.	Not avail.	51,200	100,800
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 23	87	85	163	86
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 30	8,855,000	8,976,000	8,198,000	8,151,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 28	233	208	150	162
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 26	4.634c	4.634c	4.634c	4.376c
Pig iron (per gross ton)	Jan. 26	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	Jan. 26	$27.67	$28.50	$30.17	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 27	29.700c	29.625c	29.675c	24.200c
Export refinery at	Jan. 27	29.060c	28.800c	29.150c	34.925c
Straits tin (New York) at	Jan. 27	85.250c	85.500c	84.000c	121.500c
Lead (New York) at	Jan. 27	13.000c	13.000c	13.500c	14.000c
Lead (St. Louis) at	Jan. 27	12.800c	12.800c	13.000c	13.800c
Zinc (East St. Louis) at	Jan. 27	9.500c	9.500c	10.000c	12.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 2	98.25	98.46	96.66	95.79
Average corporate	Feb. 2	107.98	107.44	106.21	108.70
Aaa	Feb. 2	113.12	112.37	110.88	112.19
Aa	Feb. 2	110.15	109.60	108.16	110.70
A	Feb. 2	107.80	107.27	106.04	107.98
Baa	Feb. 2	101.64	100.98	100.16	103.97
Railroad Group	Feb. 2	105.69	105.17	104.14	106.39
Public Utilities Group	Feb. 2	108.16	107.80	106.56	108.34
Industrials Group	Feb. 2	110.15	109.42	107.98	111.25
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 2	2.62	2.61	2.74	2.80
Average corporate	Feb. 2	3.28	3.31	3.38	3.24
Aaa	Feb. 2	3.00	3.04	3.12	3.05
Aa	Feb. 2	3.16	3.19	3.27	3.13
A	Feb. 2	3.29	3.32	3.39	3.28
Baa	Feb. 2	3.65	3.69	3.74	3.51
Railroad Group	Feb. 2	3.41	3.44	3.50	3.37
Public Utilities Group	Feb. 2	3.27	3.29	3.36	3.26
Industrials Group	Feb. 2	3.16	3.20	3.28	3.10
MOODY'S COMMODITY INDEX	Feb. 2	419.1	419.0	413.3	405.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 23	199,153	223,396	145,118	202,039
Production (tons)	Jan. 23	243,978	243,315	200,597	235,985
Percentage of activity	Jan. 23	94	91	77	94
Unfilled orders (tons) at end of period	Jan. 23	342,885	390,294	313,963	462,564
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Jan. 29	107.35	*107.44	106.92	108.62
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	Jan. 16	26,112	30,392	24,661	32,199
Number of shares	Jan. 16	764,041	863,821	750,883	918,371
Dollar value	Jan. 16	$34,789,631	$36,131,438	$31,713,691	$39,017,000
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 16	25,098	24,156	28,670	29,446
Customers' short sales	Jan. 16	228	234	139	133
Customers' other sales	Jan. 16	24,870	23,922	28,531	29,311
Number of shares—Total sales	Jan. 16	708,567	668,498	846,235	806,943
Customers' short sales	Jan. 16	8,143	8,092	4,915	4,698
Customers' other sales	Jan. 16	700,424	660,406	841,320	802,245
Dollar value	Jan. 16	$29,045,435	$27,318,721	$30,885,477	$33,945,871
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 16	208,970	208,270	304,640	236,930
Short sales	Jan. 16	------	------	------	------
Other sales	Jan. 16	208,970	208,270	304,640	236,930
Round-lot purchases by dealers—					
Number of shares	Jan. 16	316,610	344,460	216,600	339,090
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	Jan. 9	321,180	183,790	263,540	325,320
Other sales	Jan. 9	6,923,770	8,397,870	7,058,190	10,035,030
Total sales	Jan. 9	7,244,950	8,581,660	7,321,730	10,360,350
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 9	708,790	742,990	750,450	1,052,910
Short sales	Jan. 9	150,240	95,580	119,230	172,860
Other sales	Jan. 9	808,430	583,430	573,370	1,054,710
Total sales	Jan. 9	958,670	679,010	692,600	1,227,570
Other transactions initiated on the floor—					
Total purchases	Jan. 9	201,770	187,410	199,260	297,230
Short sales	Jan. 9	13,200	5,500	6,700	23,900
Other sales	Jan. 9	262,730	143,610	157,590	354,260
Total sales	Jan. 9	275,930	149,110	164,290	378,160
Other transactions initiated off the floor—					
Total purchases	Jan. 9	299,245	341,700	300,960	358,587
Short sales	Jan. 9	32,000	23,300	56,050	58,420
Other sales	Jan. 9	378,694	223,297	211,510	413,249
Total sales	Jan. 9	410,694	246,597	267,560	471,669
Total round-lot transactions for account of members—					
Total purchases	Jan. 9	1,209,805	1,272,100	1,250,670	1,708,727
Short sales	Jan. 9	195,440	124,380	181,980	255,180
Other sales	Jan. 9	1,449,854	950,337	942,470	1,822,219
Total sales	Jan. 9	1,645,294	1,074,717	1,124,450	2,077,399
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Jan. 26	110.9	110.9	110.6	109.5
Farm products	Jan. 26	98.9	98.4	97.1	99.4
Processed foods	Jan. 26	105.6	*105.9	105.7	104.6
Meats	Jan. 26	94.9	95.8	91.6	95.5
All commodities other than farm and foods	Jan. 26	114.5	114.5	114.5	112.8

*Revised figure. †Includes 599,000 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.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For Month of November:			
Total gas (M therms)	4,643,601	4,031,184	4,728,700
Natural gas sales (M therms)	4,386,971	3,800,105	4,462,100
Manufactured gas sales (M therms)	58,496	48,979	83,500
Mixed gas sales (M therms)	198,134	172,100	183,100
AMERICAN IRON AND STEEL INSTITUTE:			
Steels ingots and steel for castings produced (net tons)—Month of December	7,937,000	*8,690,106	9,691,074
Shipments of steel products, including alloy and stainless (net tons)—Month of Nov.	5,903,980	6,726,850	6,647,725
AMERICAN PETROLEUM INSTITUTE—Month of October:			
Total domestic production (barrels of 42 gallons each)	214,973,000	216,971,000	221,649,000
Domestic crude oil output (barrels)	194,108,000	196,717,000	202,044,000
Natural gasoline output (barrels)	20,837,000	20,216,000	19,562,000
Benzol output (barrels)	33,000	38,000	43,000
Crude oil imports (barrels)	19,806,000	20,757,000	19,948,000
Refined products imports (barrels)	10,883,000	9,641,000	12,212,000
Indicated consumption domestic and export (barrels)	238,122,000	237,196,000	250,686,000
Increase all stock (barrels)	7,545,000	10,174,000	3,123,000
AMERICAN ZINC INSTITUTE, INC.—Month of December:			
Slab zinc smelter output, all grades (tons of 2,000 pounds)	78,921	75,830	81,363
Shipments (tons of 2,000 pounds)	63,924	68,684	77,352
Stocks at end of period (tons)	180,620	165,563	87,160
Unfilled orders at end of period (tons)	35,466	29,437	45,264
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of December:			
New England	$14,836,020	$16,918,929	$15,610,040
Middle Atlantic	105,141,783	78,063,194	63,797,755
South Atlantic	29,452,475	46,213,936	29,368,857
East Central	67,301,733	76,524,092	54,876,310
South Central	60,940,461	53,394,798	57,465,929
West Central	21,306,200	22,832,476	18,133,112
Mountain	12,676,656	13,772,199	10,228,226
Pacific	61,202,714	67,862,773	80,467,638
Total United States	$372,858,042	$375,582,397	$329,947,867
New York City	55,856,712	49,037,818	32,467,886
Outside New York City	317,001,330	326,544,579	297,479,981
COAL EXPORTS (BUREAU OF MINES)—Month of November:			
U. S. exports of Pennsylvania anthracite (net tons)	247,206	364,889	464,526
To North and Central America (net tons)	242,494	351,713	412,558
To South America (net tons)	------	------	------
To Europe (net tons)	4,712	13,176	51,960
To Asia (net tons)	------	------	------
To Africa (net tons)	------	------	8
COKE (BUREAU OF MINES)—Month of Nov.			
Production (net tons)	6,209,536	6,554,638	6,331,800
Oven coke (net tons)	5,894,447	6,181,353	5,986,700
Beehive coke (net tons)	315,089	*373,285	345,100
Oven coke stocks at end of month (net tons)	2,657,729	2,513,351	2,444,712
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—1947-49 Average 100)—Month of December:			
Adjusted for seasonal variations	113	113	115
Without seasonal adjustment	193	136	196
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of Oct. (000's omitted)	32,450,142	32,793,709	29,279,108
Revenue from ultimate customers—month of October	$572,315,600	$580,125,700	$521,061,800
Number of ultimate customers at Oct. 31	49,684,881	49,527,522	48,239,396
HOUSEHOLD WASHERS AND IRONERS — STANDARD SIZE — (AMERICAN HOME LAUNDRY MANUFACTURERS' ASSOCIATION)—Month of November:			
Factory sales of washers (units)	238,153	310,867	293,079
Factory sales of ironers (units)	10,105	11,666	19,724
Factory sales of dryers (units)	78,167	81,839	74,370
METAL PRICES (E. & M. J. QUOTATIONS)—Average for month of December:			
Copper (per pound)—			
Electrolytic domestic refinery	29.673c	29.651c	24.200c
Electrolytic export refinery	29.061c	28.848c	34.780c
Lead—			
Common, New York (per pound)	13.500c	13.500c	14.125c
Common, St. Louis (per pound)	13.300c	13.300c	13.925c
‡‡Prompt, London (per long ton)	£90.386	£94.217	------
‡‡Three months, London (per long ton)	£88.608	£90.351	------
Silver and Sterling Exchange—			
Silver, New York (per ounce)	85.250c	85.250c	83.250c
Silver, London (pence per ounce)	73.621d	74.000d	72.577d
Sterling Exchange (Check)	$2.81074	$2.81101	$2.80594
Zinc (per pound)—East St. Louis	10.000c	10.000c	12.500c
††Zinc, London, prompt (per long ton)	£74.301	£75.354	------
††Zinc, London, three months (per long ton)	£73.835	£74.131	------
Tin (per pound)—			
New York Straits	84.644c	83.318c	121.486c
§§New York, 99% min.	83.644c	82.318c	120.486c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$185.923	$184.091	$214.885
¶Antimony New York Boxed	31.970c	37.152c	37.970c
Antimony (per pound) bulk, Laredo	28.500c	33.682c	34.500c
Antimony (per pound) Laredo	29.000c	34.182c	35.000c
Platinum, refined (per ounce)	$91.000	$91.591	$90.000
†Cadmium (per pound)	$2.00000	$2.00000	$1.80288
‡Cadmium (per pound)	$2.07500	$2.07500	$1.97644
§Cadmium (per pound)	$2.15000	$2.15000	$2.15000
Cobalt, 97%	$2.60000	$2.60000	$2.40000
Aluminum, 99% plus, ingot (per pound)	21.500c	21.500c	20.000c
Magnesium ingot (per pound)	27.000c	27.000c	24.500c
**Nickel	60.000c	60.000c	56.500c
Bismuth (per pound)	$2.25	------	------

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shapes to plater. ¶Domestic, five tons or more but less than carload lot, boxed. §§Price for tin contained. **F.o.b. Port Colburne, U. S. duty included. ‡‡Average of daily mean of bid and ask quotation at morning session of London Metal Exchange. ††Delivered where freight from E. St. Louis exceeds 0.5c.

	Latest Month	Previous Month	Year Ago
PORTLAND CEMENT (BUREAU OF MINES)—Month of November:			
Production (barrels)	22,529,000	24,738,000	22,048,000
Shipments from mills (barrels)	19,495,000	27,556,000	19,771,000
Stocks (at end of month—barrels)	13,083,000	*10,049,000	8,823,000
Capacity used	97%	103%	95%
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of November:			
Total operating revenues	832,363,043	934,303,702	908,014,704
Total operating expenses	657,496,445	693,896,298	661,245,450
Operating ratio	78.99	74.27	72.82
Taxes	$77,582,365	$112,698,177	$117,491,602
Net railway operating income before charges	78,526,183	107,331,352	111,022,387
Net income after charges (estimated)	60,000,000	89,000,000	87,000,000

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Observations . . .

sional entrant with a split-fraction forecast only 10 cents off the actual closing of 280.90.

The Out-of-the-Money Writers

In line with previous detailed surveys of actual results shown by professional market forecasters, some of which have been cited previously by this columnist, the financial writers ended up with the also-rans in all three races.

The breakdown of the returns on the Dow predictions shows that only 3% of the press entrants ended within \$2.50 of the actual close; against 6% of the professionals and 8% of the non-professionals.

Four percent of the non-professionals and 4% of the investment professionals, but none of the financial writers, came within \$1 of the actual close. Three percent of the professionals and 1% of the non-professionals actually came with 50 cents of the actual Dow close; with none of the press entrants, of course, hitting that charmed circle.

Thus success was inversely correlated with expertness.

In selecting individual issues, the expert press also came out second best. In the **down-hill** race, the winning writer was able to predict only a 29% fall (in American Hide and Leather), against the 95%-fallen Western Pacific old preferred ridden by a mutual fund professional. On the **up**-side of stocks, the press was able to come through with a first of only a 10% rise, against one with 81% by a dealer.

* * *

"P.S."—This department's face has suddenly become very red. We who have been so constantly inveighing against the possibility of effective forecasting, have just been informed by the contest's officialdom that a re-tabulation of the results reveals us as the actual winner of the "up-stock" race. Worse still, this is the second time that this catastrophe has befallen us. Five years ago our shot-in-the-dark at the future of the Averages likewise brought us the embarrassing blue ribbon (wrapped round a case of champagne).

In defense of our purity and academic integrity, we submit that we entered the same issue (the highly- leveraged Tri-Continental Warrants) for both down and up moves. And that for the D-J Average prediction, we preserved our objectivity by submitting an unchanged price.

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NSTA Notes

AD LIBBING

Your 1954 NSTA Advertising Committee is now being organized and it is with great enthusiasm I quote part of a letter just received from our National President, Phil Clark (Amos C. Sudler & Co., Denver):

"You have the green light to go on a commission basis to affiliates 15% of our 40% on dealer ads and 25% of our 40% on commercial ads. I think this is an additional incentive for all affiliates and should boost our sales."

Harold B. Smith

In other words, affiliates receive this year 6% of the gros son dealer ads and 10% of the gross on non-dealer ads, with no quotas. This should make a great year for all our affiliates to participate in this undertaking. Suggestions are in order for affiliate advertising chairmen.

May I hear from you?

HAROLD B. SMITH, Chairman
National NSTA Advertising Committee
Pershing & Co., 120 Broadway, New York 5, N. Y.

ALABAMA SECURITIES DEALERS ASSOCIATION

The Alabama Securities Dealers Association held its annual meeting on Friday night, Jan. 22, 1954, at the Birmingham Country Club. In attendance were members from the entire state.

At this meeting the following officers were elected for the year 1954:

Ogden Shropshire

John B. Cox, Jr.

President—Lewis J. Odess, Odess, Martin & Herzberg, Inc., Birmingham.

First Vice-President—Ogden Shropshire, Shropshire and Company, Mobile.

Second Vice-President—Weldon W. Doe, Jr., Sellers, Doe & Company, Montgomery.

Secretary—George B. Alexander, Conville and Company Birmingham.

Treasurer—John B. Cox, Jr., Birmingham Trust National Bank, Birmingham.

For the Executive Committee: Milton Boyce, Merrill Lynch, Pierce, Fenner & Beane, Birmingham; Arthur Stansel, Courts and Company, Birmingham; James R. Hendrix, Hendrix & Mayes, Inc., Birmingham; Julien Eliasburg, Selma, Ala.; Ernest Armstrong, Sterne, Agee & Leach, Montgomery; James C. Andress, First National Bank of Mobile, Mobile; Marion Brodnax, Brodnax & Knight, Inc. Birmingham, and E. S. Hydinger, Carlson & Company, Birmingham.

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The Security I Like Best

newcomer to the American Stock Exchange (16½), coming out of the recent reorganization of Arkansas Natural Gas. The company has some \$24 million of long-term debt and 3,801,536 shares of common stock, of which Cities Service owns 51.5%.

Arkansas Fuel Oil is engaged directly and indirectly in almost all of the phases of the oil and gas business. Most of the company's 47,500 acres of producing properties are located in the East Texas Field. Net production in 1952 amounted to more than five million barrels of oil and 36 million MCF. The company operates some 255 miles of crude oil gathering lines and 315 miles of trunk lines with appropriate storage facilities. Although not engaged directly in refinery operations, Arkansas Fuel is an important distributor of refined petroleum products at wholesale and retail, primarily in the southern and southeastern areas of the country. A close affiliation is maintained with Cities Service to whom the company sells a major part of its crude oil and from whom the company purchases most of its refined products.

The company's reserves of oil and gas are extensive. As a matter of fact at its present price of 16½ the shares appear to be selling at a greater discount from "in-the-ground" values than almost any other oil company. Taking oil reserves at roughly 75 cents a barrel and natural gas reserves at four cents per MCF, the company's shareholders appear to have an equity of some \$35 per share after adjusting for all prior obligations and without giving any values to the company's other extensive assets. Actually, many feel that the company's reserves are considerably understated because of the nature of the East Texas Field.

In addition to these reserves the company has large unexplored acreage holding amounting to some 368,000 acres. These are located principally in Louisiana, Mississippi, Arkansas, and Texas. It is felt that a good portion of this acreage is in some of the most exciting wildcat areas of the country. This appears to be particularly true of the company's holdings in Terrebonne, Iberia, St. Martin, and St. Mary Parishes, Louisiana. The deeper drilling possibilities of East Texas are also engaging. Recent developments in these and other areas where the company holds substantial acreage seem to confirm this enthusiastic attitude.

Distribution activities of Arkansas Fuel are centered in one of the most rapidly growing areas of the country. Between 1947 and 1952 sales of refined products rose from 383 to 571 million gallons—an increase of about 50%. This part of the company's operations, therefore, appears to be a definite asset in contrast to similar activities in some other parts of the country.

Arkansas Fuel has demonstrated earning power. At 16½ its shares are selling at some nine times estimated 1953 earnings and at only six times estimated cash flow income. Heavy proration in the East Texas Field and what appears to be an inclination of the company to conserve its reserves make it unlikely that vastly improved earnings will be seen in the near-term. However, from the long run point of view the outlook is very favorable.

The company recently declared a dividend of 20 cents which may indicate an annual rate of 86 cents. Certainly earnings could easily support this or a higher rate. The yield is therefore almost 5%.

It is known that Cities Service thinks extremely well of this affiliate. Whether or not Cities Service will someday seek to acquire the remaining outstanding shares or engage in a merger is, of course impossible to say. It would appear to be a realistic step and at such a time shareholders might well expect to find their equity more realisticly appraised. In the meantime the company offers extremely good values in a growth industry with what appears to be a relatively low risk on the down side.

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Consumers Can Call Turn in Business

culation is how John Public is going to view the continued publication of layoffs in industry at the rate of over 400,000 a week.

Everyone seems to be in agreement that when we have passed through this particular period of maladjustment, we can look forward with confidence to a fairly protracted period of sound rather than synthetic prosperity. No one could possibly quarrel with that general assumption but it must be remembered that here in America we live our lives in the superlative degree. We always overdo whatever we undertake and it would be very strange if some time during the next few years we failed to commit another set of errors or excesses which would have to be corrected. However, that isn't the matter of moment in this discussion and the assumption of an ultimate period of general improvement is quite reasonable and plausible. There is no probability and no more than a remote possibility that we could generate a depression out of what we now face which would be as serious as 1937, much less 1929, but we could have a setback a little more serious than the one we experienced in 1949.

The Housing Outlook

The segment of our economy which is of primary interest to this group is home building and here the consensus appears to be a little more pessimistic than is warranted by the facts. Housing starts in 1953 aggregated about 1.1 million. The total was about 24,000 less than the housing starts in 1952 but the private housing starts, considered by themselves, were only about 1,600 less than in 1952 because public housing starts aggregated about 36,000 as against 59,000 in 1952. The decline, therefore, was very modest indeed.

Informed opinion regarding housing starts for 1954 varies all the way from 750,000 to a million, with most of the estimates bracketing 900,000 but an analysis of the supporting evidence to these conclusions discloses that most of them are based on a single factor, dependable under ordinary circumstances, which is new family formation. This figure has decreased from 1.6 million in 1948 to about 850,000 in 1953 and the reason goes back to conditions which existed in 1928 and in 1933 and the number of marriages which took place in each of those two years. The children of those marriages are those of marriageable age about 20 years later. These calculations are accurate enough but they leave out of consideration entirely one factor which is a recent phenomenon, which is a little hard to appraise but which is definite and must be taken into consideration. That factor is the one-person household, career women, widows and the young bachelors who are waiting for good incomes to get better before getting married. Their wants are no longer satisfied with the one-room accommodations which were sufficient some time ago, and the general migration to the suburbs has taken many of them out of the market for small urban apartments.

Another factor which has been given very little consideration is the unusually large number of demolitions taking place at present, for two reasons. The Victorian mansions, which were converted into multi-family dwellings as a temporary expedient, are not being kept in repair beyond what is absolutely necessary. A great many of them are 60 years old or more and are either being demolished or left vacant. Also, the Quonsett huts and the temporary construction, which went up hurriedly all over the land at the close of World War II in order to accommodate the returning veterans and their families, were not designed to last more than a few years and as the situations of these veterans improve to the point where they can move into better quarters, the housing they leave behind them is being demolished.

No definite figures can be adduced to substantiate an accurate estimate of probable housing starts for the year 1954 but with the government interesting itself definitely in the problem of housing and with the circumstances just outlined contributing to the need for new housing, it would not be at all unreasonable to anticipate that housing starts for 1954 could easily equal or even exceed those for 1953, even though—for a time, at least—we must go through this period of adjustment, which we brought on ourselves by the excesses in production and in borrowing during the past two or three years.

One thing is certain. The nature and extent of this adjustment will not be determined by any statistics which are now available. They will be determined by what is in the minds of the public, generally, and particularly the consumers, during the next few months.

Pruett Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Thomas C. Watson, Jr. has joined the staff of Pruett and Co., Inc., 710 Peachtree Street, N. E.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Advisers Fund, Inc., New York
Jan. 28 filed 50,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

● Aircasters, Inc. (2/5)
Jan. 21 (letter of notification) 120,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To construct or acquire broadcast stations. **Business**—Sale of programs and announcements to advertisers. **Office**—157 Broad St., Red Bank, N. J. **Underwriter**—J. Gilbert Currie & Co., Red Bank, N. J.

★ American General Oil & Gas Co.
Jan. 26 (letter of notification) 1,000,000 shares of common stock (par one cent) to be issued in exchange for oil, gas and mineral leases having a value of $100,000. **Underwriter**—None. **Office**—605 M & M Bldg., Houston, Tex.

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.

★ Atlantic City Electric Co. (2/24)
Feb. 1 filed 151,672 shares of common stock (par $10). **Price** — To be supplied by amendment. **Proceeds** — To repay bank loans and for new construction. **Underwriter**—May be Union Securities Corp. and Smith, Barney & Co., both of New York.

★ Atlantic City Electric Co. (2/24)
Feb. 1 filed $5,000,000 of 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.; Union Securities Corp. and Smith, Barney & Co. (jointly); The First Boston Corp. **Bids**—To be received up to 11 a.m. (EST) on Feb. 24 at Irving Trust Co., 47th floor, One Wall St., New York 15, N. Y.

Aztec Oil & Gas Co., Dallas, Tex.
Dec. 14 filed 2,017,801 shares of common stock (par $1) being 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**—$3.83 per share. **Proceeds**—To acquire equipment and property, for drilling wells and for working capital. **Underwriter**—None.

Bank Shares, Inc., Minneapolis, Minn.
Jan. 4 (letter of notification) 15,000 shares of class A stock. **Price**—At par ($20 per share). **Proceeds**—To acquire shares of capital stock of The Marquette National Bank and the Chicago-Lake State Bank. **Underwriter**—M. H. Bishop & Co., Minneapolis, Minn.

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.

★ Bede Products, Inc., Cleveland, Ohio
Jan. 29 (letter of notification 1,000 shares of class A common stock (par $100) and 2,000 shares of 6% preferred stock (par $100) to be sold in units of one common and two preferred shares. **Price** — $300 per unit. **Proceeds** — For expansion. **Office** — 1110 Brookpark Road, Cleveland, O. **Underwriter**—None.

★ Bensen Aircraft Corp., Raleigh, N. C.
Jan. 22 (letter of notification) 80,333 shares of class A common stock (par $1) and 160,667 shares of class B common stock (par $1) to be offered in units of one class A share and two class B shares. **Price**—$3 per unit. **Proceeds** — For additional equipment, working capital and model certification. **Underwriter**—None.

★ Black & Decker Manufacturing Co.
Jan. 26 (letter of notification) an undetermined number of shares of common stock (no par) to aggregate not exceeding $300,000 market value, to be offered to employees. **Price**—90% of market based upon closing bid on the New York Stock Exchange on Feb. 9. **Proceeds**—To replenish working capital. **Office**—Towson, Baltimore County, Md. **Underwriter**—None.

● Black Hills Power & Light Co., Rapid City, S. D.
Jan. 12 (letter of notification) 14,100 shares of common stock (par $1) being offered for subscription by common stockholders of record Jan. 27 on a basis of 0.0597 of one share for each share held with an oversubscription privilege; rights to expire Feb. 15. **Proceeds** — For new construction and improvements. **Underwriter** — None.

Blaske Lines, Inc., Alton, Ill.
Jan. 7 (letter of notification) 65,990 shares of common stock (par $2), to be first offered for subscription by stockholders of record Jan. 22; then to public. **Price**—$2.62½ per share. **Proceeds** — For down payment on purchase of six new barges. **Office**—210 William St., Alton, Ill. **Underwriter** — G. H. Walker & Co., St. Louis, Mo.

★ Boyne Oil & Gas Co., Boyne Falls, Mich.
Jan. 27 (letter of notification) 2,000 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For drilling expenses. **Underwriter**—None.

Budget Plan Corp., Haddonfield, New Jersey
Jan. 13 (letter of notification) 20,000 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—To establish additional offices and for working capital **Office** — 101 Kings Highway East, Haddonfield, N. J. **Underwriter** — Rambo, Close & Kerner, Inc., Philadelphia, Pa.

● Buzzards Bay Gas Co., Hyannis, Mass.
Jan. 13 (letter of notification) 4,000 shares of 6% prior preferred stock being offered to preferred stockholders of record Dec. 16 on a 1-for-4 basis; rights to expire Feb. 16. **Price**—At par ($25 per share) and accured dividends. **Proceeds**—To repay bank loan. **Underwriter**—Coffin & Burr, Inc., Boston, Mass.

● California Water & Telephone Co.
Jan. 14 filed 120,000 shares of $1.32 cumulative convertible preferred stock (par $25). **Price** — $27 per share. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—Blyth & Co., Inc. New York and San Francisco. **Offering**—Being made today (Feb. 4).

Carling Brewing Co., Inc., Cleveland, Ohio
Jan. 18 (letter of notification) 3,750.4 shares of capital stock (par $15) to be offered to stockholders; with rights to expire on Feb. 26. **Price**—$40 per share. **Proceeds**—To retire current indebtedness. **Office**—9400 Quincy Ave., Cleveland, Ohio. **Underwriter**—None.

★ Central States Oil Co., Inc., North Platte, Neb.
Jan. 26 (letter of notification) an unspecified number of shares of preferred or common stock (offering to be amended). **Proceeds**—To drill wells. **Underwriter**—None.

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.

Clayton Mines, Inc., Orlando, Fla.
Jan. 11 (letter of notification) 299,000 shares of class B common stock. **Price**—At par ($1 per share). **Proceeds**—For equipment, working capital and general corporate purposes. **Office**—1800 Atlanta Avenue, Orlando, Fla **Underwriter**—First Florida Investors Inc., 19 S. Court Street, Orlando, Fla.

★ Commercial Credit Co., Baltimore, Md.
Jan. 29 filed 181,900 shares of common stock (par $10) to be issued under the company's Employees' Restricted Stock Option Plan for officers and employees of company and its subsidiaries.

★ Consumers Public Service Co., Brookfield, Mo.
Jan. 28 (letter of notification) 1,200 shares of 6% cumulative preferred stock. **Price**—At par ($50 per share). **Proceeds**—To liquidate short-term notes and accounts payable. **Underwriter** — Wahler, White & Co., Kansas City, Mo.

Danielson Manufacturing Co.
Dec. 24 (letter of notification) 10,704 shares of class A preferred stock (par $5) being offered for subscription by stockholders of record Jan. 15; rights to expire on Feb. 15. **Price**—$9.50 per share to stockholders and $12 per share to public. **Proceeds**—For working capital. **Underwriter**—Coburn & Middlebrook Inc., Hartford. Conn.

Delhi Oil Corp., Dallas, Tex.
Jan. 22 filed 1,031,758 shares of common stock (par $1) to be offered for subscription by stockholders on the basis of two new shares for each five shares held (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—To pay approximately $8,-500,000 indebtedness maturing with the current fiscal year, and the remainder used for general corporate purposes and working capital. **Underwriter**—None.

★ Devonian Gas & Oil Co., Renovo, Pa.
Jan. 29 (letter of notification) 30,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For drilling operations. **Office**—704 Erie Ave., Renovo, Pa. **Underwriter**—None.

★ Doughboy Industries, Inc., New Richmond, Wis.
Jan. 27 (letter of notification) 27,270 shares of cumulative class A stock (par $1). **Price**—$11 per share. **Proceeds**—For working capital. **Underwriter**—Kalman & Co., Inc., Minneapolis, Minn.

NEW ISSUE CALENDAR

February 5 (Friday)
Aircasters, Inc. .... Common
(J. Gilbert Currie & Co.) $120,000
Missouri Public Service Co. .... Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co.) 527,865 shares
Tobin Packing Co., Inc. .... Common
(First Albany Corp.) $99,875

February 8 (Monday)
Gulf Sulphur Corp. .... Preferred
(Peter Morgan & Co.) $7,000,000
Louisville & Nashville RR. .... Equip. Trust Ctfs.
(Bids noon EST) $1,995,000
Public Service Co. of Oklahoma .... Bonds
(Bids noon CST) $12,500,000
Southwestern States Telephone Co. .... Common
(Central Republic Co. Inc.) 100,000 shares

February 9 (Tuesday)
Louisville Gas & Electric Co. .... Bonds
(Bids 10:30 a.m. CST) $12,000,000

February 10 (Wednesday)
Chicago & North Western Ry. .... Equip, Trust Ctfs.
(Bids noon CST) $6,495,000
Mystic Valley Gas Co. .... Bonds
(Bids 11 a.m. EST) $5,500,000
Wagner Electric Corp. .... Common
(G. H. Walker & Co.) 150,000 shares

February 16 (Tuesday)
General Instrument Corp. .... Common
(Paine, Webber, Jackson & Curtis and Hirsch & Co.) 200,000 shares
Pacific Gas & Electric Co. .... Bonds
(Bids 8:30 a.m. PST) $60,000,000

February 17 (Wednesday)
Essex County Electric Co. .... Bonds
(Bids noon EST) $5,000,000
South Carolina Electric & Gas Co. .... Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co.) 286,436 shares

February 24 (Wednesday)
Atlantic City Electric Co. .... Common
(Union Securities Corp. and Smith, Barney & Co.) 151,672 shares
Atlantic City Electric Co. .... Bonds
(Bids 11 a.m. EST) $5,000,000
Magnolia Park, Inc. .... Debentures & Common
Gearhart & Otis, Inc.; Hunter Securities Corp., and T. J. Feibleman & Co.) $2,525,000

February 25 (Thursday)
Pittsburgh & West Virginia Ry. .... Bonds
(Bids to be invited) $7,500,000

March 1 (Monday)
Houston Lighting & Power Co. .... Bonds
(Bids to be invited) $30,000,000
Southern Natural Gas Co. .... Bonds
(Bids 11 a.m. EST) $20,000,000

March 3 (Wednesday)
Suburban Electric Co. .... Bonds
(Bids 11 a.m. EST) $4,000,000

March 4 (Thursday)
Lisbon Uranium Corp. .... Common
(A. P. Kibbe & Co.) 1,292,000 shares

March 10 Wednesday)
Fireman's Fund Insurance Co. .... Common
(The First Boston Corp.; Blyth & Co., Inc.; and Dean Witter & Co.) 600,000 shares

March 15 (Monday)
Sheraton Corp. of America .... Debentures
(Offering to stockholders—underwritten by Paine, Webber, Jackson & Curtis and Hamlin & Lunt) $3,300,000

March 16 (Tuesday)
Alabama Power Co. .... Bonds
(Bids to be invited) $17,000,000
National Union Fire Insurance Co. .... Common
(Offering to stockholders—underwritten by The First Boston Corp.) $6,000,000

March 23 (Tuesday)
Utah Power & Light Co. .... Common
(Bids 11 a.m. EST) 200,000 shares

March 30 (Tuesday)
San Diego Gas & Electric Co. .... Bonds
(Bids to be invited) $17,000,000

April 6 (Tuesday)
Georgia Power Co. .... Bonds
(Bids to be invited) $11,000,000

April 20 (Tuesday)
West Penn Power Co. .... Bonds
(Bids to be invited) $12,000,000

May 14 (Friday)
First Nat'l Bank of Toms River, N. J. .... Common
(Offering to stockholders) $150,000

May 19 (Wednesday)
Utah Power & Light Co. .... Bonds
(Bids noon EST) $15,000,000

★ Eastern Stainless Steel Corp.
Jan. 29 (letter of notification) 4,000 shares of common stock (no par). **Price**—At market (estimated at $10.12½ per share). **Proceeds**—To John M. Curley, President and Chairman of the Board. **Underwriter** — Hornblower & Weeks, Boston, Mass.

Essex County Electric Co., Salem, Mass. (2/17)
Jan. 18 filed $5,000,000 of first mortgage bonds, series A, due Feb. 1, 1984. **Proceeds**—To repay short-term indebtedness and balance, if any, for construction. **Underwriters** — 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 up to noon (EST) on or about Feb. 17, 1954.

Estey Organ Corp., Brattleboro, Vt.
Jan. 21 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For acquisition of property and equipment and for working capital. **Office**—48 Birge St., Brattleboro, Vt. **Underwriter**—Barrett Herrick & Co., Inc., 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.

★ Fidelity Acceptance Corp., Minneapolis, Minn.
Jan. 26 (letter of notification) 2,800 shares of 6% cumulative preferred stock, class E. **Price**—At par ($25 per share). **Proceeds**—To be available to subsidiaries and reduce outstanding bank loans. **Office**—820 Plymouth Bldg., Minneapolis, Minn. **Underwriters**—M. H. Bishop & Co., Minneapolis, Minn.; and B. I. Barnes, Boulder, Colo.

★ Financial Credit Corp., New York
Jan. 29 filed 250,000 shares of 7% cumulative sinking fund preferred stock. **Price**—At par ($2 per share). **Proceeds**—For working capital. **Underwriter**—E. J. Fountain & Co., Inc., New York.

Fire Association of Philadelphia (Pa.)
Dec. 11 filed 340,000 shares of capital stock (par $10) being 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. **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) being offered first for subscription by common stockholders of record Jan. 14 on a 1-for-8 basis; rights to expire on Feb. 5. **Price**—$10.75 per share to stockholders and $12 per share to public. **Proceeds**—for new construction, etc. **Underwriter**—None.

★ Formula Fund of Boston (Mass.)
Feb. 1 filed 100,000 shares of beneficial interest in the Trust. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

General Alloys Co., Boston, Mass.
Jan. 19 (letter of notification) 50,000 shares of common stock (no par), of which 30,050 shares are to be offered to certain officers under options and the remaining 19,950 shares to be offered to certain employees. **Price**—$1.25 per share. **Proceeds**—For additional office and manufacturing space and new machinery. **Underwriter**—Wm. S. Prescott & Co., Boston, Mass.

● General Instrument Corp. (2/16)
Jan. 27 filed 200,000 shares of common stock (par $1). **Price**—To be related to the then current market price of the stock on the New York Stock Exchange. **Proceeds**—For plant additions, research and possible acquisition of other manufacturing companies. **Underwriters** — Paine, Webber, Jackson & Curtis, Boston, Mass., and Hirsch & Co., New York.

★ Gray Manufacturing Co., Hartford, Conn.
Jan. 28 (letter of notification) 11,150 shares of capital stock (par $5) to be sold to certain key employees under stock options. **Price** — At market. **Proceeds** — For working capital. **Office** — 16 Arbor St., Hartford, Conn. **Underwriter**—None.

★ Grolier Society, Inc., New York
Jan. 27 (letter of notification) 21,000 shares of common stock (par $1). **Price**—$14 per share. **Proceeds**—For working capital. **Business**—Engaged chiefly in publication and distribution of reference sets of books. **Office**—2 West 45th St., New York, N. Y. **Underwriter**—None.

● Gulf Sulphur Corp. (2/8-9)
Oct. 27 filed 700,000 shares of 60-cent non-cumulative convertible preferred and participating stock (par 10 cents. **Price**—$10 per share. **Proceeds**—To develop company concessions. **Underwriter**—Peter Morgan & Co., New York.

★ Indianapolis-Kansas City Motor Express Co.
Jan. 26 (letter of notification) 10,000 shares of common stock (par $10), to be sold in units of 10 shares. **Price**—$100 per unit. **Proceeds**—To increase working capital. **Office**—1700 West 9th St., Kansas City 1, Mo. **Underwriter**—None.

★ Kansas City Life Insurance Co. (Mo.)
Feb. 1 filed voting trust "participation certificates" covering 40,000 shares of common stock, of which 20,559 certificates have been issued. **Voting Trustees**—Walter Bixby, Ray B. Lucas and J. L. Batchler.

● Lisbon Uranium Corp. (3/4)
Jan. 20 (letter of notification) 1,292,000 shares of capital stock (par 15 cents), of which 1,079,000 shares are to be offered to the public and 125,000 shares are to be reserved for option to Moab Drilling Co. at 20 cents per share, and 88,000 shares are to be reserved for option to underwriter at 25 cents per share. **Proceeds**—For general expenses incident to mining operations. **Office**—801 Continental Bank Bldg., Salt Lake City, Utah. **Underwriter**—A. P. Kibbe & Co., Salt Lake City, Utah.

★ Los Angeles Drug Co.
Jan. 28 filed $178,000 of 15-year 5% sinking fund debentures, due Oct. 1, 1966, and 50,000 shares of capital stock (no par), the latter to be first offered for subscription by stockholders. **Price**—For debentures, at par; and for stock, $10 per share. **Proceeds**—To finance expanded merchandise inventory and operating equipment (new building), and for working capital. **Underwriter**—None.

Louisville (Ky.) Gas & Electric Co. (2/9)
Jan. 15 filed $12,000,000 first mortgage bonds, due Feb. 1, 1984. **Proceeds**—For property additions and improvements. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Lehman Brothers and Blyth & Co., Inc. (jointly); Glore, Forgan & Co.; Kuhn, Loeb & Co.; The First Boston Corp.; Harriman Ripley & Co., Inc. **Bids**—Expected to be received up to 10:30 a.m. (CST) on Feb. 9.

★ Magnolia Park, Inc. (2/24-25)
Jan. 29 filed $2,500,000 of 6% subordinated convertible debentures due 1969 and 250,000 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 10 shares of stock. **Price**—$101 per unit. **Proceeds**—For construction of racing plant and for expenses incident to racing activities. **Underwriters**—Gearhart & Otis, Inc. and Hunter Securities Corp., both of New York; and T. J. Feibleman & Co., New Orleans, La.

★ Maine Mining & Exploration Corp.
Jan. 28 (letter of notification) 550,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For initial exploration expenses and general corporate purposes. **Office**—234 Middle St., Portland, Me. **Underwriter**—None.

★ Massachusetts Investors Growth Stock Fund, Inc.
Jan. 28 filed 225,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

McBride Oil & Gas Corp., San Antonio, Tex.
Jan. 26 filed 2,000,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds** To repay notes, for exploration and drilling expenses and additions to properties, and for working capital. **Underwriter**—Continental Securities Corp.

★ McCormick & Co., Inc., Baltimore, Md.
Jan. 28 (letter of notification) 1,666 shares of common non-voting stock (no par). **Price** — At market (estimated at not to exceed $30 per share). **Office** — 414 Light St., Baltimore 2, Md. **Underwriter**—None.

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) being 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. Offer will expire on Feb. 26. **Underwriter**—None.

Mississippi Chemical Corp., Yazoo City, Miss.
Jan. 5 filed 26,666 shares of special common stock (par $75—limited dividend) and $1,500,000 of certificates of participation (to be sold in multiples of $75—5% interest). **Proceeds**—From sale of these securities, together with bank borrowings, are to be used for expansion of facilities. **Underwriter**—None. Sales will be handled by company employees. **Offering**—Expected during March.

Missouri Public Service Co. (2/5)
Jan. 14 filed 527,865 shares of common stock (no par) to be offered for subscription by common stockholders of record Feb. 5 on a share-for-share basis (with a 13-day standby). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to acquire capital stock of Gas Service Co. (a subsidiary of Cities Service Co.). **Underwriter**—Kidder, Peabody & Co., New York.

★ Morrison-Knudsen Co., Inc. and Broadway Holding Co.
Jan. 25 (letter of notification) 9,375 shares of common stock (par $10) to be offered to employees pursuant to "Employees' Stock Purchase Plan." **Price**—$3 per share less than the market price. **Proceeds**—To be applied against the cost of purchasing the shares. **Address**—Box 450, Boise, Ida. **Underwriter**—None.

Mystic Valley Gas Co. (2/10)
Jan. 12 filed $5,500,000 first mortgage bonds, series A, due 1974. **Proceeds**—To pay an equal amount of outstanding promissory notes. **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 up to 11 a.m. (EST) on or about Feb. 10 at 441 Stuart St., Boston 16, Mass.

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.

★ New Mexico Copper Corp. (N. M.)
Jan. 27 (letter of notification) an undetermined number of shares of common stock (par 25 cents). **Price**—At market (estimated at 50 cents per share). **Proceeds**—To Carl E. Degner, Sr., President. **Underwriter**—To be named by amendment. **Address**—P. O. Box 56, Carrizozo, N. M.

Nuclear Research Corp. (Pa.)
Jan. 21 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—To repay bank loan and current trade obligations, to construct laboratory and for working capital. **Office**—2563 Grays Ferry Ave., Philadelphia, Pa. **Underwriter**—Tellier & Co., Jersey City, N. J. **Offering**—Expected late in February.

★ Nunn-Bush Shoe Co., Milwaukee, Wis.
Jan. 27 (letter of notification) 15,000 shares of common stock (par $2.50) to be offered to permanent employees only. **Price**—At market. **Proceeds**—For working capital. **Office**—2822 N. 5th St., Milwaukee, Wis. **Underwriter**—None.

Otter Tail Power Co., Fergus Falls, Minn.
Dec. 28 filed $2,500,000 of 4¼% convertible debentures due Jan. 1, 1964 being 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.

Pacific Gas & Electric Co. (2/16)
Jan. 19 filed $60,000,000 first and refunding mortgage bonds, series W, dated Dec. 1, 1953 and due Dec. 1, 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. **Bids**—To be received up to 8:30 a.m. (PST) on Feb. 16 at 245 Market St., San Francisco, Calif.

★ Perkin-Elmer Corp., Norwalk, Conn.
Jan. 29 (letter of notification 6,430 shares of common stock to be offered to employees only. **Price**—$5.75 per share. **Proceeds**—For working capital. **Office**—Maine Avenue, Norwalk, Conn. **Underwriter**—None.

● Philip Morris & Co., Ltd., Inc., New York
Jan. 13 filed 443,561 shares of common stock (par $5) being offered in exchange for common shares of Benson & Hedges, on a share-for-share basis. Offer is subject to acceptance by holders of not less than 355,460 shares of Benson & Hedges stock, and will expire on March 1, unless extended. **Underwriter**—None.

★ Producers Life Insurance Co., Mesa, Ariz.
Jan. 29 filed 227,500 shares of common stock (par $1) to be offered to present and future holders of company's life insurance with stock purchase rights. **Price**—$2 per share. **Proceeds**—For working capital. **Underwriter**—None.

Public Service Co. of Oklahoma (2/8)
Jan. 18 filed $12,500,000 of first mortgage bonds, series E, due Feb. 1, 1984. **Proceeds**—For additions and improvements. **Underwriter**—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); Glore, Forgan & Co., Dean Witter & Co. and Lehman Brothers (jointly); Blyth & Co., Inc., Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly). **Bids** — To be received up to noon (CST) on Feb. 8 at 20 No. Wacker Drive, Chicago 6, Illinois.

Safeway Trails, Inc., Washington, D. C.
Jan. 21 (letter of notification) $299,000 of 20-year 5% debentures. **Price**—90% of face value. **Proceeds**—To convert building into bus terminal, purchase of new buses and for working capital. **Office**—820 T St., N. E., Washington, D. C. **Underwriter**—None.

Santa Fe Western Gas & Oil Corp. (N. M.)
Jan. 22 (letter of notification) 299,925 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To repay note. **Office**—406 Sunshine Bldg., Albuquerque, N. M. **Underwriter** — Gearhart & Otis, Inc., New York. **Offering**—Expected late in February.

★ Shareholders' Trust of Boston (Mass.)
Jan. 29 filed 10,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **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.

★ South Carolina Electric & Gas Co. (2/17)
Jan. 28 filed 286,436 shares of common stock (par $4.50) to be offered for subscription by common stockholders of record Feb. 17 on the basis of one new share for each ten shares held (with a 14-day standby). **Price**—To be supplied by amendment. **Proceeds**—For new construction, etc. **Underwriter** — Kidder, Peabody & Co., New York City.

★ South Texas Oil & Gas Co., Corpus Christie, Tex.
Jan. 26 (letter of notification) 133,333 shares of capital stock (par 10 cents). **Price**—At market (estimated at about 75 cents per share). **Proceeds** — To Joseph E. Bludworth, President. **Office** — Wilson Tower, Corpus Christi, Tex. **Underwriter**—None.

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Southern Natural Gas Co. (3/1)
Jan. 25 filed $20,000,000 of first mortgage pipe line sinking fund bonds due 1974. **Proceeds**—To repay bank loans and to reimburse treasury for additions already made to properties. **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). **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on March 1 at 90 Broad St., New York, N. Y.

● **Southwestern Public Service Co.**
Jan. 12 filed 272,500 shares of common stock (par $1) being offered for subscription by common stockholders of record Feb. 1 at the rate of one new share for each 14 shares held (with an oversubscription privilege); rights to expire Feb. 16. **Price**—$22.50 per share. **Proceeds**—To repay bank loans and for property additions and improvements. **Underwriter**—Dillon, Read & Co. Inc., New York.

Southwestern States Telephone Co. (2/8)
Jan. 21 filed 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To finance, in part, the 1954 construction program. **Underwriter**—Central Republic Co., Inc., Chicago, Ill.

★ **Stein, Roe & Farnham Fund, Inc., Chicago, Ill.**
Feb. 1 filed 150,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

★ **Suburban Electric Co. (3/3)**
Jan. 29 filed $4,000,000 first mortgage bonds, series A, due March 1, 1984. **Proceeds**—To repay bank loans and for new construction. Underwriters—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 up to 11 a.m. (EST) on or about March 3 at 441 Stuart St., Boston, Mass.

★ **Suburban Propane Gas Corp.**
Jan. 29 (letter of notification) 3,290 shares of common stock (par $1) issuable upon exercise of option warrants prior to Nov. 27, 1955. **Price** — $9.50 per share. **Proceeds**—For working capital. **Address**—P. O. Box 206, Whippany, N. J. **Underwriter**—None.

★ **Television-Electronics Fund, Inc., Chicago, Ill.**
Jan. 28 filed 1,600,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **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**—Expected today (Feb. 4).

Tobin Packing Co., Inc. (2/5)
Jan. 21 (letter of notification) 8,500 shares of common stock (par $3). **Price**—$11.75 per share. **Proceeds**—To John J. Krez as trustee under Frederick M. Tobin Trusts. **Underwriter**—First Albany Corp., Albany, N. Y.

United Merchants & Manufacturers, Inc.
Oct. 7 filed 574,321 shares of common stock (par $1). **Price**—At the market (either on the New York Stock Exchange or through secondary distributions). **Proceeds**—To a group of selling stockholders who will receive the said shares in exchange for outstanding preferred and common stock of A. D. Juilliard & Co., Inc., on the basis of 6½ shares of United Merchants stock for each Juilliard common or preferred share. **Underwriter**—None. Statement effective Oct. 26.

Wagner Electric Corp., St. Louis, Mo. (2/10)
Jan. 19 filed 150,000 shares of common stock (par $15). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—G. H. Walker & Co., St. Louis and New York.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 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 sales 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, 1952 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.

★ **Whitaker Cable Corp., No. Kansas City, Mo.**
Jan. 27 (letter of notification) 17,500 shares of common stock (par $1). **Price**—$12.50 per share. **Proceeds**—For investment in Whitaker Metals Corp. and for working capital. **Underwriter** — Fitch, North & Co., Kansas City, Mo.

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.

Baltimore & Ohio RR.
Nov. 9 it was reported company is planning to issue $60,000,000 of new collateral trust 4% bonds to mature in 1-to-16 years in exchange for a like amount of collateral trust bonds due Jan. 1, 1965 now held by the Reconstruction Finance Corporation. The latter in turn plans to offer the new bonds to a group of investment houses including Halsey, Stuart & Co. Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Alex. Brown & Sons; and others. The bankers would then offer the bonds to the public.

Central Illinois Electric & Gas Co.
Dec. 9 it was announced company intends to offer and sell around the middle of 1954 an issue of $4,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly).

Central Maine Power Co.
Oct. 7 it was reported company plans sale during the first quarter of 1954 of $10,000,000 common stock after distribution by New England Public Service Co. of its holdings of Central Maine Power Co. common stock. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc.

★ **Central Power & Light Co.**
Jan. 27 it was reported company plans to issue and sell $9,000,000 to $10,000,000 first mortgage bonds, series F, due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp., Eastman, Dillon & Co., Goldman, Sachs & Co. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Union Securities Corp. and Kidder, Peabody & Co. (jointly). **Bids**—Tentatively expected to be received in May.

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.

Chicago & North Western Ry. (2/10)
Bids will be received by the company in Room 1400, 400 West Madison St., Chicago 6, Ill. up to noon (CST) on Feb. 10 for the purchase from it of $6,495,000 equipment trust certificates to be dated March 1, 1954 and mature annually March 1, 1955 to 1969, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder Peabody & Co.; Blair, Rollins & Co. Inc.

Columbia Gas System, Inc.
Jan. 18 it was reported company is considering additional financing early this year. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) For bonds — Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. (2) For stock — Merrill Lynch, Pierce, Fenner & Beane, White Weld & Co., Shields & Co. and R. W. Pressprich & Co. (jointly); Lehman Brothers and Union Securities Corp. (jointly); Morgan Stanley & 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. Bidders if competitive, may include: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Blyth & Co., Inc.

★ **Consolidated Natural Gas Co.**
Jan. 27 it was reported company plans to issue and sell $25,00,000 of debentures due 1979. **Proceeds** — To purchase stock of company's operating subsidiaries, who in turn will apply these proceeds for construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Morgan Stanley & Co. and The First Boston Corp. (jointly). **Offering**—Tentatively expected in May.

★ **Douglas Oil Co. of California**
Feb. 1 it was reported company plans to issue and sell 50,000 shares of convertible preferred stock (par $25). **Registration**—Expected early this month. **Underwriter**—Shearson, Hammill & Co., New York and Los Angeles (Calif.)

★ **Fidelity Trust of America, Dallas, Tex.**
Dec. 22 it was announced that company plans to increase its capitalization to $3,000,000, following which a registration statement will be filed with the SEC to authorize a new offering. There are presently authorized 35,000 shares of no par value, of which 33,750 shares will be outstanding following present offering and sale of 30,000 shares of common stock at $10 per share. **Business**—A discount and lending organization. **Office**—Fidelity Bldg., Dallas, Tex. **Underwriter**—May be Boylen, Kasper & Co., Dallas, Tex.

★ **Fireman's Fund Insurance Co., San Francisco, Calif. (3/10)**
Jan. 29 it was announced company plans to offer publicly 600,000 additional shares of capital stock. **Price**—To be named later. **Proceeds**—To finance acquisition last January of National Surety Corp. and its wholly-owned subsidiary, National Surety Marine Insurance Co. **Underwriters**—The First Boston Corp., New York; and Blyth & Co. Inc. and Dean Witter & Co., both of San Francisco, Calif. **Registration**—Expected by Feb. 16.

First National Bank of Toms River, N. J. (5/14)
Jan 12 it was announced bank plans to offer for subscription by its stockholders of record May 1, 1954, an additional 3,000 shares of capital stock (par $10) on the basis of one new share for each 26 shares held; rights to expire on June 16. **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Florida Power & Light Co.
Jan. 25 it was reported company may later this year issue and sell about $15,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co. and Harriman Ripley & Co. Inc. (jointly).

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.

● **Houston Lighting & Power Co. (3/1)**
Jan. 18 it was reported company plans to issue and sell $30,000,000 of first mortgage bonds due 1989. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Union Securities Corp.; Lehman Brothers; Smith, Barney & Co.; Kidder, Peabody & Co.; Equitable Securities Corp. **Bids**—Expected to be received on March 1. **Registration**—Planned for Feb. 4.

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.

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.

Kansas City Power & Light Co.
Jan. 13 it was announced that company may issue and sell later in 1954 additional first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Glore. Forgan & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Harriman Ripley & Co., Inc.; Equitable Securities Corp.

● **Laclede Gas Co.**
Jan. 28 stockholders approved issuance of not to exceed $10,000,000 of non-convertible debentures. Financing in form of debentures, bonds, preferred or common stock is expected before June 15, 1954.

Louisville & Nashville RR. (2/8)
Bids will be received by the company up to noon (EST) on Feb. 8 for the purchase from it of $1,995,000 equip-

ment trust certificates, series M, dated Aug. 15, 1953. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

Louisville & Nashville RR.
Nov. 12 it was reported that the company may issue and sell an issue of bonds late in 1954. **Proceeds**—To retire $24,610,000 Atlanta, Knoxville & Cincinnati Division 4% bonds due May 1, 1955, and for general corporate purposes. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Salomon Bros. & Hutzler (jointly).

Metropolitan Edison Co.
Dec. 16 it was reported company may sell in 1954 about $3,500,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly).

Missouri 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 $9,000,000 of first mortgage bonds, $2,500,000 of debentures and 65,000 shares of preferred stock (par $100). **Proceeds** — To retire bank loans. **Underwriter**—For common stock (now in registration): Kidder, Peabody & Co.

National Union Fire Insurance Co. (3/16)
Jan. 14, W. A. Rattleman, President, announced that company plans to issue to stockholders of record about March 16 the right to subscribe for 200,000 additional shares of capital stock (par $5) onthe basis of one new share for each two shares held. **Price**—Expected to be $30 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—The First Boston Corp., New York.

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**—Expected before June 30, 1954.

Pennsylvania Electric Co.
Dec. 16 it was reported that company may issue and sell about $12,500,000 of first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, Union Securities Corp. and White, Weld & Co. (jointly); Harriman Ripley & Co., Inc.; Kuhn, Loeb & Co., Lehman Brothers, Drexel & Co. and Salomon Bros. & Hutzler (jointly); The First Boston Corp. **Offering**—Expected in March or April, 1954.

Peoples Finance Corp., Denver, Colo.
Jan. 5 it was reported company plans to issue and sell $300,000 of 6% convertible debentures. **Price**—At 100% and accrued interest. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill.

Pittsburgh & West Virginia Ry. (2/25)
Jan. 6 it was reported company plans to issue and sell $7,500,000 of first mortgage bonds due 1984. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Smith, Barney & Co.; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received on Feb. 25.

★ Plastic Wire & Cable Corp.
Feb. 1 it was announced company plans to offer about 22,000 additional shares of its common stock (par $5) to common stockholders on the basis of one new share for each five shares held. **Price** — About $10 per share. **Proceeds**—For expansion program. **Underwriter**—None, but Putnam & Co., Hartford, Conn., will manage a group to assist in obtaining subscriptions.

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 Electric & Gas Co.
Jan. 27, G. H. Blake, President, announced that a $50,000,000 financing program is expected in the Spring. The type of securities to be issued is still undetermined, but some form of debt financing is indicated. **Underwriters**—For any bonds will be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Lehman Brothers (jointly); The First Boston Corp. Previous public offering of common stock was handled by a group headed by Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co.

San Diego Gas & Electric Co. (3/30)
Jan. 26, it was announced company plans to issue and sell $17,000,000 of first mortgage bonds, series E, due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Blyth & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; White, Weld & Co., and Shields & Co. (jointly); Lehman Brothers; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Expected to be received on March 30.

★ Scudder Fund of Canada, Ltd.
Jan. 29 it was announced company intends to make an initial public offering of its common shares in the United States to realize at least $5,000,000.

● Sheraton Corp. of America (3/15)
Jan. 21 it was announced company plans to offer to its stockholders the right to subscribe for an issue of $3,300,000 25-year 6% debentures (3% fixed and 3% contingent) with warrants attached. **Proceeds**—To repay loans and for working capital. **Underwriters**—Paine, Webber, Jackson & Curtis, Boston, Mass., and Hamlin & Lunt, Buffalo, N. Y. **Meeting**—Stockholders will vote March 3 on approving issue. **Registration**—Expected about Feb. 24.

● Southern California Edison Co.
Feb. 3 company was granted exemption from competitive bidding by California P. U. Commission on a proposed issue of 600,000 shares of common stock. Negotiations will be entered into with The First Boston Corp. and Dean Witter & Co. to form a syndicate to offer the stock. On 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. 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. Last negotiated equity financing was underwritten by The First Boston Corp.

★ Southern Indiana Gas & Electric Co.
Jan. 27 it was announced company plans to offer to its common stockholders 114,166 additional shares of common stock on a 1-for-7 basis. **Proceeds**—For construction costs. **Underwriter**—Smith, Barney & Co., New York. **Registration**—Expected early in March.

★ Southern Indiana Gas & Electric Co.
Jan. 27 it was announced company plans to issue and sell $8,000,000 of first mortgage bonds due 1984. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co.; Kidder, Peabody & Co.; Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler; The First Boston Corp.; Equitable Securities Corp.; White, Weld & Co. and Shields & Co. (jointly); Blair, Rollins & Co. Inc. **Registration** — Planned for first week of March.

★ Southwestern Gas & Electric Co.
Jan. 27 it was reported that the company is tentatively planning to issue and sell in the Fall $10,000,000 of first mortgage bonds, series F, due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers; Blyth & Co.; Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Harriman Ripley & Co. Inc.; The First Boston Corp.

★ Tennessee Gas Transmission Co.
Jan. 27 it was reported company plans issuance and sale of $20,000,000 of debentures in April or May and $25,000,000 of first mortgage pipe line bonds in July. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

Trans-Canada Pipe Lines, Ltd.
Jan. 11 it was reported this company and Western Pipe Lines, Ltd. will merge preliminary to the financing and construction of a 2,240 mile natural gas pipe line from the Alberta fields to Toronto, Ottawa and Montreal. **Underwriters**—Lehman Brothers; Wood, Gundy & Co. Inc.

Trip-Charge, Inc., Pittsburgh, Pa.
Jan. 20 it was announced company is increasing its capital stock in contemplation of an underwriting. **Proceeds**—For expansion program and working capital. **Office**—Fifth Avenue at Hamilton, Pittsburgh 6, Pa. **Meeting**—Stockholders will vote Feb. 23 on doubling present authorized capital stock.

Utah Power & Light Co. (3/23)
Jan. 18 it was reported company plans to offer publicly 200,000 shares of common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: 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). **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on March 23. **Registration**—Planned for Feb. 16.

Utah Power & Light Co. (5/19)
Jan. 18 it was reported company plans to offer $15,000,000 of first mortgage bonds due 1984. **Underwriters**—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. **Bids**—Tentatively expected to be received up to noon (EST) on May 19.

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.

★ West Penn Power Co. (4/20)
Feb. 1 it was reported company plans to issue and sell $12,000,000 of first mortgage bonds, series P, due 1984. **Proceeds**—For construction program of West Penn Power Co. and its subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; W. C. Langley & Co.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc. **Registration** — Scheduled for March 26. **Bids**—Tentatively expected on April 20.

★ Winters National Bank & Trust Co., Dayton, Ohio
Jan. 21 stockholders of record Jan. 12 were offered 200,000 shares of capital stock (par $10) on the basis of two shares for each five shares held; rights to expire Feb. 5. **Price**—$15 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Greene & Ladd; Ball, Burge & Kraus; Grant-Brownell & Co.; Hunter, Prugh, Ball & Davidson; W. E. Hutton & Co.; C. C. McCune & Co.; Westheimer & Co., and Fred C. Yager, Inc.

Our Reporter's Report

The underwriting industry is subsisting on mighty thin fare these days and there is nothing to suggest an early break in the drought of new issues. Market conditions are ideal but corporations appear either to have anticipated their needs in recent months or to be disposed to sit back and look on for a while.

Six months ago when new money was commanding returns of 3.50% to 3.60% for prime names the outpouring of new debt issues was substantial. But now with the market for high-grades averaging out around 3.15% demand has gone dormant.

The investment world is looking chiefly to the public utilities as the primary source of new business, figuring that there is still considerable expansion to be undertaken in that field even though industrial companies may taper off a bit.

However, there are some who believe that the major hope is a continuation of the rising trend in bond prices to a point where an average yield basis of 3% is established. Should this come about the hope is that some attempts at refinancing higher coupon debts might be stirred up.

But it recognized that investors who took on the 3¾% and 3⅞% emissions of the last 18 months or so are not going to be roused too easily into looking at new lower-yielding obligations. A great many such issues are new selling at premiums of four to five points, it was noted.

Huge Stock Deal Pends

In prevailing circumstances it is not surprising that what promises to be the largest single insurance company stock offering is generating no end of interest marketwise.

Fireman's Fund Insurance Co., major West Coast enterprise, is planning to raise $30,000,000 to $36,000,000 through the sale of 600,000 shares of additional capital stock. It proposes to file the necessary registration with SEC by Feb. 16 next, with public offering schedule tentatively for March 10.

As a step in its refinancing plan it is proposed to change the present $5 par value to $2.50 and increase the authorized stock from 2,000,000 to 4,000,000 shares, with a 20% stock dividend to be distributed.

Underwriters have been asked to form a group to handle the public sale.

Slow Tempo Holds

The sluggish pace of recent weeks will hold sway through the period ahead judging from a perusal of the list of prospective marketings. Only three issues, none large, are due up for bids.

Monday will bring the opening of tenders for $12,500,000 30-year, first mortgage bonds of the Pacific Service Co. of Oklahoma, in Chicago.

The following day bids will be scanned for an offering of $12,000,000 of 30-year bonds of the Louisville Gas & Electric Co.

And on Wednesday Mystic Valley Gas Co. will offer $5,500,000 of first mortgage, 30-year paper through the same medium.

Supply and Demand

The law of supply and demand is operating at the moment in the secondary investment market where the trend toward higher levels and lower yields is sustained.

Only a short while back buyers were inclined to stand aside waiting for selected issues to reach their ideas of price and yield. But the dearth of new issues and cleaning away of inventories in dealers' hands have served to virtually eliminate the supply.

Institutional investors find funds piling up and while there is still a smattering of private or direct placements, this end of the business is far from as robust as it was a year ago. Accordingly, the seasoned market is reflecting attempts of portfolio men to put available money to work.

Continued from page 6

The Air-Conditioning Industry

and 1930's when technical developments made its use possible in theaters, department stores, railroad cars, hotels, restaurants, office buildings, public buildings, and even small retail stores.

In each field it became a competitive necessity almost as soon as it was introduced—first among the larger and more expensive establishments, and then by stages down to the smaller ones. Comfort for the customer proved itself immediately as an immensely valuable aid; it not only draws the customers away from the establishments of non-air-conditioned competitors, it also makes them stay longer and buy more because they feel better.

As in the case of plant air-conditioning, it is safe to say that all important commerical buildings will ultimately have to be air-conditioned for competitive reasons. This time may come sooner in the commercial field, however. When the amount of air-conditioned offices in any city reaches a given point—estimated by the American Institute of Management at 15% of the desirable space available—it becomes a competitive necessity for all other buildings in the city.

Adequate data are not yet available to show how many cities in the United States have reached, or are approaching, this point. Some, like Houston, Texas, are apparently already past it. In New York City we have apparently arrived. The A. I. M. states that since 1947, fifty-one new air-conditioned buildings with a total floor space of 2,332,700 feet have been built, are under construction or planned for construction, by 1955 in the main business area (south of 61st Street). This is more than 18% of the 67,500,000 square feet of floor space in the area's 343 reasonably modern but non-air-conditioned buildings.

The potential demand for air-conditioning of business and commercial buildings, as in the case of industrial buildings, therefore represents a large and growing proportion of all such new structures, plus a growing proportion of the even larger number of such structures now without air-conditioning.

(C) **By Home Owners:** The market for home air-conditioning was virtually untouched until after the war. The demand is a logical consequence of the use of air-conditioners in stores, offices, and factories. Having experienced comfort at work, the consumer now wants it in his home.

The room-cooler was the first answer to this demand. Ranging in price from $200 to $400, easy to install and inexpensive to operate, units of this type began selling in large quantities soon after the war. Retail sales volume in 1947 totaled $19,374,000; the increase has been so rapid that 1953 retail sales totaled nearly 15 times as much.

These appliances are also suitable for may commerical uses, but residential demand accounted for 75% of last year's sales.

After the room-cooler came the residential central air-conditioning system. This can be sold as an integral year-round system, providing central heating in winter and cooling in summer; or as a separate air-cooling unit to be added on to the home-owner's existing central heating system.

This type of equipment reached the market for the first time in 1952 in significant quantities — over 10,000 units. It is potentially the fastest-growing branch of the air-conditioning business, and is expected to outstrip room-coolers in retail dollar volume within the next two or three years.

By making home air-conditioning popular, room coolers have accelerated consumer demand for central residential systems. These systems deliver more comfort per dollar and function independently of outside temperatures.

The development of fully automatic central heating systems also helped lay the groundwork for the central air-conditioning system, which is a logical extension of the same technique.

The postwar housing boom has also played a part. An increasing number of speculative builders have discovered that the fully air-conditioned home gives them a competitive advantage.

It is more modern and more comfortable; cleaner air reduces the householder's cleaning and decorating costs; construction costs can be reduced by eliminating cross ventilation, attic fans, extra corners, breezeways and flyscreens, and using fixed windows instead of sash or easement windows. With these savings the builder can cover most or all of the cost of his air-conditioning system.

New housing is still being built at the rate of 1,000,000 units a year, and many real estate experts expect it to continue that way. But this represents only a part of the demand for residential air-conditioning.

Of the 25,000,000 existing homes equipped with central heating systems, 5,900,000 have forced warm air circulating systems which can readily be converted to year-round air-conditioning, using the ductwork already in place.

Another 7,500,000 homes are heated by gravity air systems, which can be converted to air-conditioning with a relatively moderate alteration of the ductwork.

The remaining 11,500,000 homes are equipped with steam or hot water systems, and can more readily be air-conditioned by using individual room-coolers.

(D) **Limiting Factors:** Theoretically the potential demand is enormous; some practical limitations remain to be considered.

Except for the 5,900,000 homes heated by modern forced air systems, the installation of a central air-conditioning system in any building—residential, commercial, or industrial—involves a certain amount of expensive structural alterations and the addition of air ducts or water pipes.

In larger structures the actual cost and the solution to the problem depends in each case on the design of the building, design of the air-conditioner system desired, and the ingenuity of the architect, engineer and builder. Individual room-coolers or packaged units in the 2-15 horsepower range with limited ductwork can be installed at less cost. However, this system may be less efficient, and may involve costly additional electric wiring.

Central systems also require large amounts of water to cool the condensers. This can be an expensive item, and many communities do not have enough water supplies to allow such high water consumption. Industrial and commercial buildings can reuse water after running it through cooling towers, but for the home-owner a cooling tower is an expensive item. The answer in the residential field toward which all leading manufacturers are now moving, is the air-cooled condenser.

The refrigeration cycle is the transfer of heat from one space to another. In reducing the temperature in one space it tends to raise the temperature in the other, particularly if such space be confined. Where the cycle is reversed and so used for the purpose of heating it is commonly known as a heat pump. An interesting application is that of the reverse-cycle room-cooler, which is built to warm the room on cool days by extracting heat from the outside air.

A larger version of this machine can be used for central heating and cooling. It burns no fuel, but consumes ample quantities of electric power. The heat pump is most effective in areas which are neither very cold in winter nor excessively hot in summer; the greater the difference in temperature, the greater the capacity of the machine must be and the more electric power it requires. These units are currently produced by several important companies for local areas and special uses. Under present conditions they are not expected to present serious competition for conventional air-conditioning systems.

Designs are being constantly improved to reduce installation and operating costs, save water, eliminate noise, and promote efficiency of all types of air-conditioning equipment.

II

Sales Record and Forecast

After these general considerations, the estimated sales for 1953 and forecast for 1954 will be considered according to the type of equipment.

(A) **Room-Coolers:** Factory shipments reported in 1952 (Bureau of Census) totaled 341,000 units, at a retail value of $122,760,000. Factory shipments in 1953 were estimated 1,075,000 units, at a retail value of $315,397,500. However, we estimate that not more than 800,000 units were sold to consumers, some at considerable retail discount. Production bottlenecks kept a substantial number of units off the market until after July 4, when the peak of the buying season was passed. A substantial inventory will therefore be carried over to 1954.

We anticipate a highly competitive year for room-coolers in 1954. Estimates of the number of producers who will be in the market range from 75 to 90, compared to 58 during 1953. This factor, plus the carry-over inventory, will make for a heavy selling year. With demand continuing strong, especially for residential use, we expect the annual sales figure to continue to climb until it reaches a peak of about 1,500,000 units a year, retail value $540,000,000 before 1958. By that time volume production of year-round residential units can be expected to take away much of the demand for room-coolers, which may stabilize or decline in volume from then on. The market shows many of the characteristics of the home-appliance field, with many producers and competitive retail price-cutting.

(B) **Commercial Packaged Units:** Sales reporting data on equipment of this type has not been adequately standardized, and there is some overlap into room coolers and year-round residential units. After excluding duplication as far as possible, our analysis gives the following results for Commercial Packaged Units ranging from 2 to 15 HP.

Factory shipments in 1952 totaled 55,000 units at retail value of $110,000,000. Factory shipments in 1953 totaled at least 75,000 units at retail value of more than $150,000,000. As a rough thumb-rule retail value is computed at approximately twice the manufacturer's price, to allow for such distributors' costs as contractors' overheads and service reserves. Sales volume approximately equalled the production totals, so only the normal inventory remains. The outlook for 1954 is for an increase of at least 50% based upon additional production capacity installed this year or now under construction, including the new Worthington Corporation plant at Decatur, Alabama, which begins production this month.

Looking further ahead, we expect the sale of commercial packaged equipment to approximately double in the five years, and double again in the succeeding five years, until it levels out at approximately $500,000,000 (retail value) for 250,000 to 300,000 units a year by 1963.

(C) **Year-Round Residential Units:** We estimate 10,000 units produced and sold in 1952; 50,000 to 60,000 units in 1953; perhaps 120,000 units in 1954. The average cost to the consumer, including installation costs, ranges from $1,500 to $1,800, depending on size and make of the unit, and whether cooling tower is used, and whether the unit goes into a new home or an old one requiring installation of a suitable distribution system.

In the absence of complete statistics, it is clear that the business in 1953 was somewhat under $100,000,000. It is our estimate that this year's can be expected to double that.

The upward curve in the year-round residential units is just beginning. It is expected to hit 700,000 units by 1958 and perhaps 1,000,000 a year by 1963, which would be the peak. This field alone, including all its components, would then mean a business of at least $1.5 billion a year.

(D) **Central Station Equipment:** In this field satisfactory figures are most difficult to get. It is popularly said that by 1960 the retail sales volume of central station equipment will reach $2 billion, plus $500,000,000 of equipment for trains, airplanes, automobiles and other unclassified uses.

This figure assumes a very great expansion of the industry, which is in fact taking place. It also includes the costs of structural alterations, ductwork, plumbing, wiring, electrical equipment, and other related costs equal to four or five times as much as the basic cooling-cycle equipment. It may also include production costs for cooling-cycle equipment used in industrial process work as well as for air-conditioning.

In view of the fact that the many components of a central station system may be made by any number of different producers in different cases, generalized figures have little meaning, However, certain statements can be made with confidence:

The biggest single component of these systems in terms of cost is the complete refrigerating cycle—compressor, condenser, evaporator—and motor. In large structures the prevailing practice is to install centrifugal types ranging from 150 to 1,000 HP. At present about 70% of the production of these compressors is for air-conditioning, and the balance is used for industrial work; but the percentage devoted to air-conditioning is rapidly increasing.

There are at present three established manufacturers of this equipment, of which Worthington is one; all are expanding their capacity.

Expansion in this field will produce a corresponding expansion in demand for related products, such as automatic controls, blowers, electrical equipment and wiring, sheet metal, and cooling towers.

III
Growth Factors

As the air-conditioning industry expands to meet the huge potential demands, a certain amount of over-crowding will result.

When the backlog of unfilled demand is wiped out there will be some contraction and readjustment before the industry settles down to the long haul of meeting the market for replacements, improved models, and new construction.

Many factors enter the picture, and different types of companies will be affected in different ways. From the investor's point of view, we see these factors as of particular significance:

(1) While the **room-cooler** will soon yield ground to the year-round residential unit, there will always be a market represented for example by marginal income groups who cannot afford full air-conditioning; by old buildings where conversion to central station equipment would be too costly; and by small hotels, motels and summer cottages.

Much of the room-cooler business is now done by established home appliance manufacturers who either assemble the product from components purchased from other companies, or buy a unit ready to market under their own label.

Competition in this group will be exceptionally keen in the next few years, but many of the companies involved have other appliance lines to fall back on if they are squeezed out of the room-cooler business.

(2) The **year-round residential unit** business is still in its infancy, but we expect it to develop along much the same lines as the home heating business — hundreds of small manufacturers doing a local business, buying the main components from a few major suppliers and assembling them with the addition of their own sheet metal work.

Furnace makers are adding cooling units, and manufacturers of air-conditioning are adding heating units.

Manufacturers of the basic components are also assembling and marketing complete units in competition with their own customers.

Success in this line will depend on two main factors — effective distribution including servicing, and the cost and efficiency of the product.

(3) **Manufacturers devoted exclusively to air-conditioning and refrigeration equipment** are faced with the necessity of correctly analyzing market trends and balancing their production as between room-coolers, packaged units, year-round residential units, and central station equipment. To the extent that they make all four lines, they are in a position to take advantage of shifts in demand.

(4) **Diversified manufacturers** who include a full line of air-conditioning equipment among their products (such as Worthington Corporation) are in a position to take advantage of the current boom in substantially the same way.

While their operations in other lines may to some degree limit their air-conditioning production, they run less risk of uneconomic over-expansion.

In the immediate future the air-conditioning boom provides them with a valuable growth line and tends to protect them against the possibility of a general business recession, for under recession conditions the competitive factors outlined earlier in this paper would tend to keep the air-conditioning business at a high level.

On the other hand, any contraction of air-conditioning equipment volume after the boom ends would have a proportionately less damaging effect on diversified manufacturers than on those who rely wholly or principally on the air-conditioning market.

Conclusions

To sum up, the following general statements may be made:

(1) The air-conditioning industry is now entering a boom phase which is expected to last at least 10 years.

(2) Competition is becoming continually keener as new producers enter the field, but except in the case of room-coolers there is no sign yet of overcrowding.

(3) Advances in engineering and design are occurring constantly, and more can be expected.

(4) In the long run, growth and survival will depend upon the individual producer's ability to keep abreast of developments, both in demand and design; upon good sales distribution and service and upon the efficiency, reliability and cost of the product.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.— Enough has been made public to give a pretty good idea of the main details as well as the general objectives of the President's housing program.

First there was the report of the Housing Advisory Committee. Then came the President's housing message (for text see page 18). For the most part, the President adopted the recommendations of this study Committee, although his departures therefrom were significant. Finally Albert M. Cole, Administrator of the Housing and Home Finance Agency, amplified upon the President's program at a press conference.

Mr. Eisenhower's general governmental philosophy has been defined by him or those who speak for him, as variously middle of the road, progressive and forward looking, humanitarian toward individuals, and conservative on economic matters.

As outlined by the President, the proposed housing program would probably have as large a monetary involvement (direct and indirect), as any of the many welfare objectives he is urging upon Congress. The housing program also would have, if enacted as he wants it, an impact upon the lives of millions of individuals in the course of a decade. It would affect the growth and development of every metropolitan area.

So it is, as it were, Specimen No. 1 of the Eisenhower welfare program.

President Has Stated Objectives

President Eisenhower's housing programs have about four distinct stated objectives.

(1) Promotion of a high volume of housing construction.

(2) Provision of "conditions under which every one can obtain good housing.

(3) Fostering of community improvement.

(4) The making of the housing business less dependent upon the government, and reliance upon the private enterprise system for housing.

Pushes Expansion

Actually, however, what the President proposes is a vast expansion of government intervention into the housing business both in the form of **indirect** aids, and **also in the form of direct aids.**

Mr. Eisenhower proposes to expand the government system of loan insurance all over the lot. He would improve modernization and repair loans, so-called, for the benefit of the borrower. He would make government-sponsored credit available on an equal footing for used, as for new housing. Provided a city followed prescribed Federal standards, liberal credit would be available under government loan insurance for modernizing old housing.

Thus, in the field of **indirect aids,** the government under Mr. Eisenhower's program would be sparking a large volume of construction, making it easier for millions more to get better housing.

Mr. Eisenhower, however, would not be fulfilling his No. 4 objective of lessening dependence upon the government for housing. For the purpose of giving guarantees more liberal than the market would take would be to put government backing behind mortgages so lenders who would not otherwise do so would provide the credit. This would increase dependence on government.

Pushes Direct Aids

Mr. Eisenhower also proposes expanding the government's direct aid in housing.

At present direct Treasury subsidies are available only for "slum clearance and urban redevelopment," and "public housing." Respecting the former, the government pays not less than two-thirds of the cost, through a system of loans and grants. Respecting the latter, the government pays 90%.

Under Mr. Eisenhower's program, however, the system of loans and grants would be extended beyond mere slum clearance and public housing projects. It would go for "rehabilitation of salvable areas, turning them into sound, healthy neighborhoods by replanning, removing congestion, providing parks and playgrounds, reorganizing streets and traffic, and (this by guaranteed loans) physical rehabilitation of deteriorated structures."

Seeks Federal "Leadership"

Furthermore, the President seeks "Federal leadership" in the virtual replanning and rebuilding of entire cities over a period of years. The President proposes authorizing Federal funds to match state funds for long-range planning. Then there would be loans and grants for "decaying areas" and other municipal improvement.

Mr. Cole made it clear that once this area of Federal intervention were enlarged, aid of no one kind would likely be given unless a city lived up to Federal standards for replanning and planning its **entire** urban development. He specifically indicated, for example, that the present statutory entitlement of a city to public housing money under existing law would be held back if the city were not also doing sufficiently well to satisfy Federal authorities **about all other phases of housing.**

It was made clear that the Administration, not Congress, shall, case by case, determine the standards by which a municipality is cut off from, or benefits from this enlarged system of Federal loans and grants. Mr. Cole said he thought it would not be feasible to write statutory standards.

Develop New Form of Public Housing

The Administration wants an "experimental" (it says) system of very liberal, long-term, low interest rate loans which may some time replace "public housing." The Advisory Committee proposed no down payment loans; the Presilentd indicated some nominal sum, maybe a couple of hundred dollars per unit, might be required.

While these would be guaranteed by FHA, the Administration does not conceal its comprehension that such long-term loans for low interest rates for something like 40 years would not sell on a free market. So the Federal National Mortgage Assn. would (using direct Treasury money) "buy" these low cost housing mortgages government-guaranteed through another agency within the Housing and Home Finance Agency.

In this case the government both guarantees the loan and makes the money available, to some where between 95% and 100%. Under the present "public housing" program the government deals through the intermediary of a local "public housing authority" which initially borrows the money, but gets back not less than 90% from the Federal Treasury in instalments over the life of the loan under a firm, irrevocable Federal pledge.

The former is what Mr. Eisenhower means by "private housing" to distinguish it from "public housing."

Keeps Government Channel Open

While the President proposes that each mortgage lending institution which sells a guaranteed or insured mortgage to the Federal National Mortgage Association shall purchase a percentage of its placements in stock of FNMA, and also that FNMA shall rely primarily upon the sale of its own debentures rather than direct access to the Treasury

He does not propose to make FNMA "privately capitalized" in fact. The channel between the insured mortgage and the Treasury through FNMA would be kept open specifically so that:

(1) In case any of the newly-liberalized forms of mortgages the President proposes (including the "experimental low cost housing" loans) do not sell in the market; or

(2) In case the President wants to steam up a housing boom as an "anticyclical" device, the Treasury through the FNMA can pour out the money.

As a program for removing the housing business from dependence upon the government, the President's plan as a whole looks like a program for stopping playing with fire by striking more matches.

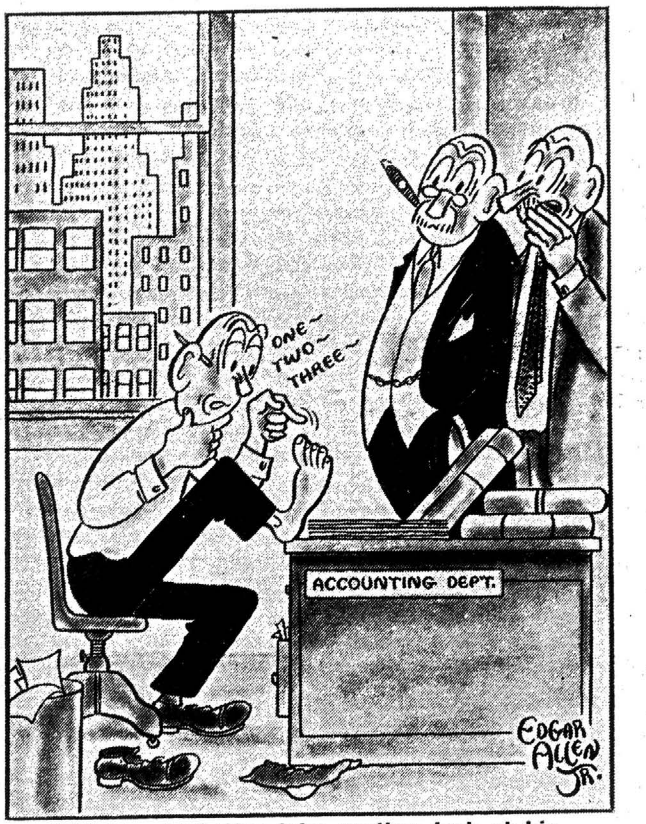
Economizers Hit Lee

A potent beneath-the-surface factor behind the "liberal" opposition to Robert E. Lee to be a member of the Federal Communications Commission was what members of the Appropriations Committee consider his superb job in organizing teams of outside accountants and outstanding businessmen to probe into government appropriation requests and prune them down.

Starting with the 80th Congress, Bob Lee has presided over inquiries that have knocked the heart out of many a left-wing bureaucrat's spending plans.

(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



"Think we'd better take another look at his references, B. P.?"

Business Man's Bookshelf

How to Understand Stocks Better —In the current issue of "The Exchange"—Subscription $1 for 12 issues — Department C, The Exchange Magazine, 20 Broad Street, New York 5, N. Y.

How to Write Better Letters—L. E. Frailey—The Dartnell Corporation, 4660 Ravenswood Avenue, Chicago 40, Ill. (paper), 40c.

Keys to Etiquette for the Business Girl — Marilyn French — The Dartnell Corporation, 4660 Ravenswood Avenue, Chicago 40, Ill. (paper), 40c.

Major Problems of United States Foreign Policy 1954 — The Brookings Institution, Washington 6, D. C. (cloth), $4.00; (paper), $2.00.

Monatt's 1954 Guidebook to New York State Income Taxes on Individuals, Partnerships and Fiduciaries (Residents and Non-residents)— Commerce Clearing House, Inc., 214 North Michigan Avenue, Chicago 1, Ill. (paper), $5.00.

Poise for the Successful Business Girl—Mary Parr—The Dartnell Corporation, 4660 Ravenswood Avenue, Chicago 40, Ill. (paper), 40c.

Prepare Once More to Scurry— Report No. 303, $2—Dept. CF 24, Major L. L. B. Angas, Inc., 480 Lexington Avenue, New York 17, N. Y.

Why Government Cannot and Will Not Stop This Recession in Time — Report No. 302, $2 — Dept, CF-24, Major L. L. B. Angas, Inc., 480 Lexington Avenue, New York 17, N. Y.