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EDITORIAL

As We See It

It is evident that the Federal Reserve authorities intend to continue their easy money policy with vigor. Reduction last week of the rediscount rate to 1¾%, and the simultaneous return of the Reserve banks to the government market as substantial buyers of bills leave no room for doubt. Apparently these gentlemen are determined to see to it that if there is a depression or even a recession they can not be held responsible for it even by the monetary "liberals" who still are to be found in our midst. It must be of considerable comfort to them to take note of the fact that a number of observers who had earlier been much disposed to place the "danger" then said to exist in the general business situation at their door are now loud and emphatic in their praise of a policy which has made money abundant (or at all events dirt cheap) in an endeavor not to restore prosperity, but to prevent any decline in general business activity.

Time was not very long ago when alleged subservience of the Federal Reserve to the Treasury, which led to extremely low rates of interest first to the Treasury and indirectly to the whole community, brought the management of our central banking system under severe criticism from many quarters. At long length the Reserve authorities declared their independence, proceeded first to cease to peg governments, and then to become far more moderate even in supporting the market. It was then argued (and in most quarters conceded) that it is impossible to insulate the government market in such a way that interest costs to the Treasury could be kept extremely low at the

Continued on page 23

Budget Expectations And Tax Reductions

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

Secretary Humphrey predicts a small cash deficit this year in Federal Budget, to be counterbalanced, however, by a small cash surplus in fiscal 1955. Reveals that, in addition to $5 billion in tax cuts of Jan. 1, Administration is recommending a general revision of the tax system, that will be more equitable to individuals and that will stimulate production by removing restraints and encouraging initiative in investment. Defends proposed reduced dividend and taxation on ground it will diminish corporate financing by means of debt creation and it will increase equity financing.

This Administration in the past 12 months has cut more than $12 billion in anticipated government spending. This reduction in proposed spending made possible the tax cuts on Jan. 1. These cuts now are leaving with the taxpayers over $5 billion a year which formerly was spent by the government. We are cutting taxes, even though we have not arrived at a budget balance. There is a very good reason for this. We must always anticipate the reduction of government expenditures and begin to transfer billions of dollars which the government will not be spending back to the taxpayers so that there will not be any sudden dislocation resulting from the lack of those dollars being available to be put into the nation's spending stream. In that way we help to maintain stability.

George M. Humphrey

It is important to notice that we expect to almost reach a cash balance this year—and a small cash surplus in fiscal 1955. We are thus eliminating the necessity for cash deficit financing from the public which is inflationary particularly in times of high levels

Continued on page 23

*Statement by Secy. Humphrey before the Joint Committee on the Economic Report, Washington, D. C., Feb. 2, 1954.

Funds Increase Utility Purchases

By HENRY ANSBACHER LONG

Investment Companies show stepped-up buying interest in power and light issues; followed by oils, chemicals, natural gas and food stocks. Steels become popular, but attitude is bearish to mixed on tobaccos. Auto, paper and rubber issues sold. One-half of the open-end funds increase cash, but majority of closed-end companies draw down on reserves.

[*Mr. Long's tables detailing fourth quarter portfolio changes and cash position appear on pages 25 and 26*]

Investment companies stepped up their total purchases about 20% during the final quarter of 1953 and the long-continued preponderance of buying in the electric power and light issues increased at the same pace. Oils, upon which there had been a decided division of opinion during the preceding quarterly period, ranked second in popularity, followed by chemical, natural gas, food and merchandising shares, in that order. Marked reversal in attitude was displayed by the buying interest in the steels, purchases doubling those of the December quarter. Drugs and textiles, many of which had suffered a rather severe shaking down process, were also bought on balance.

Henry A. Long

Sellers predominated in only three groups—the auto shares, also unpopular in the preceding period, paper and the tire and rubbers. Rails, however, upon which the bears had concentrated attention three months earlier, currently found opinion divided; as did electrical equipment, building, metal and tobacco shares.

Policy Toward Tobaccos

Naturally, with the barrage of unfavorable publicity directed at the "smoking habit" during the last few months and the severe shrinkage in value of the tobacco

Continued on page 24

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

Graham Paige Corp. common stock—Irving A. Greene, Partner, Greene & Co., New York City. (Page 2)

Gridoil Freehold Leases, Ltd.—A. Hawley Peterson, Partner, Cady, Roberts & Co., New York City. (Page 2)

IRVING A. GREENE

Partner, Greene and Company, New York City

Graham Paige Corp.—Common Stock

Graham Paige Corporation, formerly in the automobile and farm implement fields, is now a closed-end investment company. The general scope and operation of its business has completely changed with interests in "Special Situations" so that now its principal investments are in the **Foster Wheeler Company**, the **R. Olsen Oil Company**, and the **Sterling Engine Company**, among others. Graham Paige and a subsidiary own 53,600 shares of Foster Wheeler or about 9.4% of the outstanding shares. The stock is currently selling around 21 on the New York Stock Exchange, making the investment worth over $1 million. Foster Wheeler's principal business is the design, manufacture and installation of complete steam generating units, steam condenser and evaporator equipment, petroleum refineries and natural gas plants, and collateral apparatus for chemical and other industries. The company has had a long record in its field. The small capitalization in relation to the volume of business makes for a considerable leverage in share earnings. Foster Wheeler is reported to have had a major role in the development of the new Atomic Energy Project. The company has been working with six major utility companies, a chemical company and an equipment company in studying atomic power in relation to the generation of electric power. The first report of this group was submitted to the Atomic Energy Commission some time ago and the companies are continuing their research. Foster Wheeler should be in a strong position, therefore, to participate in the future development of atomic power.

Irving A. Greene

Sterling Engine Company in which Graham Paige has a substantial interest manufactures marine and industrial engines. President Robert Russell joined Sterling in September, 1942, after 17 years with Westinghouse Electric International Company where he served as Vice-President. The other members of management are also new, young and aggressive and in a relatively short time have achieved outstanding results in the organizing of Sterling's facilities for an expanded and profitable operation. Under management's efficient direction, the splendid results of these two programs on sales and earnings, and the effective use of working capital can be shown by comparing net sales for 1950 which were $1,256,983 with the first nine months of 1953, which were $3,671,804. Net income improved from a deficit of $776,165 in 1950 to an unaudited profit of $438,645 for nine months of 1953. Unfilled orders currently are at $3 million compared to a $1.5 million for the same period in 1952.

Graham Paige Corporation has an investment in the R. Olsen Oil Company of $2,534,375, representing a 100% interest. The company earned about $172,000 before depletion and depreciation from oil and gas sales in the first half of 1953 and has a gross spread of leases in excess of 20,000 acres with varying interests in 181 producing oil and gas wells. As of Jan. 1, 1953, this company had fixed assets pertaining to the oil and gas business carried at $5,725,370 net after depreciation and depletion, and current assets of $616,309. Current liabilities amounted to $1,550,404 but this included $772,683 owed to Graham Paige and to R. Olsen. Long-term debt, secured by oil and gas properties amounted to $3,448,038 and common stock equity was indicated to be $1,357,915. In the year 1952, the company reported gross sales of $1,299,828 with net income of $41,421, after charges of $336,419 for depletion and depreciation and $43,832 for dry hole costs and abandonments. The company drilled and completed seven new wells during 1952 and acquired three other wells. In November, 1952, the company obtained an increase from 5.3 cents to 10 cents per MCF for dry gas from its properties in the Hankamer Field in Southeast Texas and as of Jan. 11, 1953, the price per MCF of dry gas sold in Lea County, N. M., was increased from 6.4 cents to 9.6 cents. Olsen Oil has undertaken an intensive drilling program in the Langlie Mattex Field in Lea County, where offsetting properties are producing from four pay zones. R. Olsen Oil Company is in the growth and development stage with large proven oil and gas reserves. This could possibly develop to be an excellent situation for a possible sale or merger with one of the major oil companies.

The common stock of Graham Paige, a progressive closed-end investment company managed by individuals of excellent reputation and experience in corporate management and finance, makes for an interesting speculation at current low prices.

A. HAWLEY PETERSON

Partner, Cady, Roberts & Co., N. Y. C.
Members, New York Stock Exchange

Gridoil Freehold Leases, Ltd.

Whatever one's favorite security may be, timing of its purchase is most important. This is especially so in low priced shares where possible appreciation may assume large percentages. Normally, public participation is greater in this type of security and favorable developments often result in much larger proportionate gains than would otherwise occur.

A. Hawley Peterson

My favorite Canadian oil and gas security is Gridoil Freehold Leases, Ltd. Now listed on the American Stock Exchange as well as in Toronto, the shares at 6½ are selling at just about the price of two years ago in the enthusiastic market of that time. In the intervening period, however, much solid direct value and vast potential value has been developed.

The principal assets of Gridoil are 10-year leases (six years to go) on about 522,000 acres of freehold land. This acreage, comprising some 3,200 quarter sections (160 acre pieces) are widely scattered throughout the Canadian side of the Williston Basin in Southern Saskatchewan and Southwestern Manitoba, with the exception of two solid blocks of 11,000 and 27,000 each of acreage at Gull Lake and Crane Lake in Southwestern Saskatchewan. Unlike land held under provincial reservations, which call for increasing rental and drilling obligations, Gridoil's leases, negotiated directly with the individual landowner, call for rental payments of only 10 cents per acre per annum, and the only other obligation is that Gridoil drill a well on any lease where commercial production is discovered on an offsetting piece of land. In the event oil or gas is discovered, the usual one-eighth royalty is paid the owner. Obviously, Gridoil will probably have first refusal on any leases not yet tested at the end of the present term.

Unlike the situation obtaining in the United States, where each landowner automatically owns all subsurface minerals, in Western Canada only a fraction of the land is so held and in most instances all mineral rights were originally retained by the Crown when the land was homesteaded or sold to the farmer. Consequently, because freehold rights are so scattered, the major oil companies conducting exploration campaigns usually negotiate directly with the Provinces for rights to explore large blocks. In general, terms of such agreements start at 25 cents an acre for the first year and go up to a dollar an acre in the third year. Once discoveries are made as the result of such explorations, the favorable areas are divided up under a formula, between the finder and the Province. This pattern, although effective in opening up large areas rather quickly, is rather dangerous for the permit holders unless they are extremely well financed. The fee cost rises rapidly, exploration is expensive, and with large areas to cover, there is little time to stop looking and develop wildcat successes. Many of the smaller companies, whose holdings were this exploration type permit, are now in serious financial difficulties.

Fortunately for Gridoil, the "something for nothing" aspect of the reservation was recognized and none are included in the picture. Gridoil carries its half million acres for an annual cost of about one wildcat well. It has been, and will be in the future, management's policy to drill no wildcats on its checkerboarded acreage sections, but to risk drilling money only when success is virtually assured due to results of others drilling in the immediate vicinity. It was necessary to depart from this "play it safe" attitude in the two solid blocks held, because no one else was obligated, or could have drilled there. An arrangement was therefore made with Imperial Oil Ltd., who were given an option on certain pieces of Gridoil's Crane and Gull Lake acreage in return for their doing an expensive seismograph geophysical survey of the blocks. The survey indicated that there were five anomalies on Crane Lake and two on Gull Lake. Imperial planned to drill

Continued on page 30

How Much Contraction?

By SUMNER H. SLICHTER*
Lamont University Professor, Harvard University

In expressing view that there will be a shorter and milder recession than most economists predict, Dr. Slichter foresees its bottom reached in mid-year, and thereafter there'll be a period of expansion rather than contraction. Discusses phases of recent boom and lists some aspects of the contraction. Cites as reasons for expecting further contraction: (1) reduced government cash outlays; (2) reduced capital expenditure for plant and equipment; (3) a further decline in inventories, and (4) less consumer spending. Contends there are influences in the economy which will limit the cumulative effects of these forces of contraction, and revival may come before end of year.

I
Production and Employment Are Contracting

The volume of production is slowly declining and has been declining since about the middle of 1953. The volume of gross national output fell from an annual rate of $370.7 billion in the second quarter of 1953 to $368.8 billion in the third quarter and about $365 billion in the fourth, and the seasonally adjusted index of industrial production dropped from 137 in July to 130 in November, and to 127 in December. Indications are that the index of industrial production in January will be slightly below December.


Sumner H. Slichter

The decline in production has been accompanied by a drop in employment. In January, 1954, there were about 700,000 fewer persons at work than in January, 1953. Had the labor force been increasing at the normal rate of about 600,000 a year, this drop in employment would have been accompanied by a rise of about 1.3 million in unemployment. The civilian labor force in January, 1954, was more than 250,000 smaller than in January, 1953. Hence, the rise in unemployment was only 468,000. The decrease in the size of the labor force appears to have been due partly to withdrawals of young people who had gone to work temporarily for reasons connected with the Korean war and partly to the retirement of persons who rejoined the labor force or continued in the labor force in order to qualify for old-age pensions under the amendments to the Social Security Act in 1950.

II
How Long Will the Contraction Last and How Severe Will It Be?

There is considerable difference of opinion as to the length and duration of the contraction or recession—I use those words interchangeably. A few economists say that there will not be a recession, but it is now pretty late to argue this view. A strong preponderance of economists and businessmen expect the recession to be short and mild. I find myself expecting a shorter and milder recession than do most economists. My present belief is that the bottom of the recession will come about June or July, and that the latter half of 1954 will be a period of expansion rather than contraction. I believe that the rate of output at the bottom will be between $355 billion and $360 billion a year. It is plain, of course, that the depth and duration of the recession will depend in considerable measure upon government policies. Hence, in expressing views about the depth and duration of the recession, I am making guesses about government policies. I believe, for example, that limiting the decline in business will probably require more vigorous anti-contraction policies than the government has thus far pursued. But if more vigorous policies are required, the need, I think, will be quickly foreseen and the necessary changes in policy will be made.

Views about the length and depth of the recession are of no interest unless they are accompanied by reasons for the beliefs. Let me explain, therefore, why I expect the recession to be short and mild. This explanation will include the reasons why I believe the government may have to make a more aggressive fight against contraction. As a basis for analyzing the probable length and depth of the contraction, let us look briefly at some features of economic trends during the last phases of the boom and then examine some aspects of the recession.

III
The Last Phases of the Boom

The boom, in its last phases, was intensified by two unsound developments—a high rate of inventory accumulation and a too-rapid expansion of consumer credit. These two conditions meant (1) that goods were being produced faster than they were being consumed by individuals, business, government, and our foreign customers; and (2) that demand was being temporarily inflated by methods which were bound ultimately to limit demand. It is true, however, that the increase in output between the fourth quarter of 1952 and the second quarter of 1953, the peak of the boom, occurred in the face of a small drop in the rate of inventory accumulation. The annual rate of output between these

Continued on page 32

*An address by Prof. Slichter before the Executives' Club of Chicago, Chicago, Ill., Feb. 5, 1954.

INDEX

Articles and News

Regular Features

*No Canadian article this week.
**See article "Funds Increase Utility Purchases" on Cover page.

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What's Ahead for Insurance Company Stocks

By HENRY S. MIDDENDORF*
Partner, Wood, Struthers and Company
Members of the New York Stock Exchange

After pointing out the favorable results of insurance company operations in 1953, Mr. Middendorf foresees a bright future for the insurance industry as a whole. Points out insurance premiums have increased more rapidly than population growth, and new forms of insurance coverage is constantly being developed. Refers to decrease in fire insurance rates as aftermath of reduced ratio of losses. Concludes, because insurance is increasingly essential to our economy and the insurance industry is constantly expanding, it is a "growth industry and the long-term outlook is good."

1953 Operating Results

The insurance industry enjoyed a most successful year in 1953. Life insurance sales increased upwards to 17% for the year and probably totaled over $35 billions. The combined premium volume of fire and casualty companies increased about 10% to more than $9½ billions, of this over $7 billions were written by stock fire and casualty companies.


Henry S. Middendorf

In 1953 possible for the first full year in some twenty years, the typical large stock life companies received a net return from invested assets after tax, exceeding the interest assumption on all legal reserves. For many years prior to last year only the gain on mortality has enabled stock life companies to show gains from their life departments as distinguished from their other lines comprising accident and health, casualty and fire lines.

Life insurance companies now have 44.4% of their assets in corporate securities as compared to 24.7% in 1945, they have 29.7% in mortgages as compared to 14.8% eight years ago, and 12½% in U. S. governments compared to 45.9% in 1945.

Life insurance in force possibly increased to $300 billions in 1953, an increase of some 154% since 1940.

Fire and casualty premiums increased over 300% from 1940 to the end of 1953.

1953 was a most satisfactory year from the point of view of fire and casualty underwriting. Practically every major line was in the black and overall results should show a substantial improvement over 1952.

Fire and Casualty Companies

The estimated over-all profit margin per dollar of premiums written by fire and casualty companies approximated well over 6%. This compared to a profit margin of 5.6% in 1952 and was the best year from this point of view since 1949 when the profit margin was 12.4%. The profit margin for the 13 years ended 1953 averaged 6%.

While figures are not available I would estimate that the net investment income from portfolio assets of fire and casualty companies may have increased in 1953 some 5% to 10%.

What About the Future?

To answer this question I can only quote John A. Diemand, President of the Insurance Company of North America, a company founded in 1794.

"The outlook of the insurance industry is bright if considered solely on the basis of population." He explained that the population of the United States has increased 22%, since 1940, whereas fire and casualty premiums have increased some 300% since 1940.

In appraising the future it is well to see the woods without becoming confused by the trees.

The insurance industry is a dynamic growing industry with new forms of coverage being constantly developed and a constant evolution in the per cent of premiums and risks written by large multiple line fire and casualty companies. It is also an improving industry with improvement being brought about by competition between companies and their agencies to meet the ever developing needs of our growing population and economy for more and better insurance protection.

To show how too much emphasis may be placed upon the trees thereby overlooking the woods it is interesting to consider the fire line.

You will hear much about increasing fire losses and decreasing fire rates. Fire insurance rates have been decreasing regularly over the last thirty odd years. These lower rates have not developed arbitrarily but because the ratio of losses actually paid to risks insured has steadily declined.

Over the years there has first developed a redundency in fire rates, the rates have then been reduced but still the profit margin per dollar of risks covered has irregularly improved.

In 1908 fire rates were $1.18 per $100 of fire risks written. Ten years later they were $1.08 and by 1928, they had declined to $0.90.

In 1938, the last year in which figures are officially available they had declined to $0.68, a total reduction in the thirty years of over 40%.

I would estimate today's rates at possibly $0.55 per $100 of risks written.

Since 1928 I would estimate that straight fire rates have declined nearly 40%, yet over this period straight fire premiums have increased from $700 millions to approximately $1,300 millions.

Fire risks written have increased from approximately $80 billions in 1928 to an estimated $236 billions in 1953, a gain of 195%.

Fire losses as reported by the National Board of Fire underwriters have increased in the twenty-five years ended last year some 95%. Therefore, the fire burning ratio has been cut in half over the period, that is the ratio of losses actually paid to risks written. I would estimate 1953's burning ratio at $0.25 per $100 of risks written against $0.50 in 1928.

Is there any reason, therefore, to be disturbed from the long pull point of view when fire underwriting is so profitable that rates must be reduced. This line is in my opinion the most stable segment of insurance underwriting.

On further thought. In 1928 fire lines represented 40% of all premiums written by stock fire and casualty companies. Because of the constant growth of new forms of insurance I would estimate that last year fire lines represented less than 20% of total premiums written.

In my opinion, there is no reason why the top underwriters should not look forward to continued growth and profitable underwriting results in straight fire lines.

To give a clearer background from which to consider the future I shall give certain basic fundamentals which should aid in seeing the woods without becoming tangled in the trees of technical insurance underwriting practice.

Things I as an Investor Would Like to Know About Insurance Company Stocks

General and Long Pull

(1) **Is the industry essential to our economy?**—The insurance industry is vital to our economy. It is the basis of all credit and the guardian of all wealth. Each year the insurance industry becomes more important to all segments of our industry and population.

Excluding life insurance which is probably the most universal and largest form of individual saving, and one that does more to protect the welfare of family life than any other, there are twenty-six major classes of fire and casualty

Continued on page 30

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

Does Danger Lurk in Over-Optimism in 1954 Market?

By AUGUST HUBER
Market Analyst, Spencer Trask & Co.
Members, New York Stock Exchange

Commenting on the rise of stock market averages in the second half of 1953, Mr. Huber sees in it a probable reaction to the premature and unrealized prognostications of business deterioration. Says "process" of reaction may go too far, and risks will multiply accordingly. Points out, however, there are contributing factors for maintaining values, "but the underlying consideration now seems to be that the stock market is at a high level while the economy is undergoing readjustment."

The market pendulum—as portrayed by the Dow Jones Industrial Averages—has again swung up to the high mark achieved slightly over a year ago. The substantial intermediate decline last year, extending from January to September, and accompanied by diminishing confidence in the general economic outlook has been followed by a lessening of apprehension concerning business prospects and future corporate earnings. Somewhat paradoxically, general industrial activity has been declining moderately since last summer, with the Federal Reserve Board Index of Industrial Activity in January off about 7% from the 1953 peak.


August Huber

Stock prices, which in the main, had swung too low relative to earnings and dividends during the middle of 1953, and had anticipated business deterioration prematurely, may now be in the process of assuming a too optimistic view of 1954 prospects, at least for an intermediate period. This "process" could obviously be reflected in a further extension of this upward phase of the market. By the same token, while shorter term trading opportunities will doubtless present themselves in what could be a relatively dynamic phase of the market, the risks will probably multiply accordingly. This contingency I feel should be recognized, particularly should the tempo and character of the market take on more feverish aspects.

Earnings and Stock Prices

The "averages" are currently selling around 295, with equivalent earnings on these averages estimated around $27.00 per share for 1953 (against $24.76 the year before). Thus, the market is selling at about 11 times earnings. This is certainly not an abnormal rate for profits to be capitalized when viewing the longer-term past record. Yet the range in which stock prices has moved, relative to earnings, has been wide:

Dow Jones Industrial Averages Price Times Earnings

	At Year's High	At Year's Low
1952	11.8	10.4
1951	10.4	8.9
1950	7.7	6.4
1949	8.5	6.9
1948	8.4	7.1
1947	9.9	8.7
1946	15.6	11.2

There were many occasions in earlier years when stocks sold at considerably higher rates to earnings. Suffice to say, however, that while values, fundamentally, are largely anchored to earning power, the movements around this anchor often assume worthwhile proportions.

The Dow Jones Averages declined steadily from 294 last January to 255 in September. Meanwhile, earnings of the group on a "per share" basis, held steady at very satisfactory levels moderately over the year before.

1953—	Dow Jones Industrial Earnings	Industrial Averages
1st quarter	$6.54	294*
2nd quarter	6.70	271†
3rd quarter	6.52	255†
4th quarter	7.25 Est.	295‡

*High. †Low. ‡Current.

Final quarter earnings during each of the past few years have been characteristically higher primarily due to year-end adjustments and the inclusion of subsidiary income during the final period. Earnings for the last quarter of 1952 were $7.53 per share, compared with the $7.25 estimated for 1953.

That the market fluctuated from 294 to 255 and now back to the old high, while earnings were actually changing little, brings to the fore once again how strongly investment and speculative psychology influences prices. Unfortunately, in the realm of psychology, it is not possible to apply any definite standards of measurement. Stock prices ultimately are made by the minds of men, and mental attitudes are often influenced more by superficial appearances than the colder and pragmatic fundamentals. Skill in perceiving the drift of speculative and investment sentiment assumes a more important role during interim swings in the market, quite apart from whether such sentiment may be right or wrong relative to the actual facts and eventual developments.

Currently selling around 11 times 1953 earnings, who is to say that stock prices may not capitalize profits at a distinctly higher rate if the confidence factor is strongly manifest. Contributing factors in this more encouraging vein have been the Federal Administration's more constructive attitude toward industry and capital, its policy of tax reduction and revision, probability of further budget deficits, and the credit policies aimed toward "easy" money with their consequent effect on the interest rate structure. The substantial market advance enjoyed since last September has apparently been reflecting these confidence-nourishing influences and developments. Yet, as I see it, the underlying consideration now seems to be that the stock market is again at a high level while, conversely, the general economy appears to be nearer the possibly more "forceful" phase of readjustment.

This year appears likely to witness a lower level of steel and automobile production, a moderate reduction in housing starts, and possibly some later at least moderate curtailment in business expenditures for new plant and equipment. Moderate decreases in defense expenditures are also scheduled while fundamentally, from an overall viewpoint, increased competition in general industry, with its effects on profit margins, can in many cases mitigate anticipated benefits from the elimination of the Excess Profits Tax.

This picture is briefly sketched at this time, not because the economic outlook is particularly disturbing—I do not believe it is—but primarily to focus attention on intermediate corrective developments within the economy which, at this more vulnerable level of the general market, could produce a less favorable investment and speculative environment sometime over coming months.

The market, I believe, will doubtless continue highly "selective" and many issues which have already trended downward for many months, have, in themselves, probably discounted the major portion of their own particular readjustment. Earnings and dividends, in the main, can also be maintained relatively favorably. Yet, gauging the market as a whole, achievement of the present price area appears to be producing a more vulnerable underlying technical structure. The development of only moderately less favorable economic developments could again bring the general market to more attractive buying levels sometime over coming months.

Briefly, the period ahead is not the time, I believe, to become over-extended in common stocks. Rather, as an extension of the present advancing phase materializes, cash reserves may prudently be increased through the selective lightening of equity commitments.

Gilbert Kahn Heads Lighthouse Committee

Gilbert W. Kahn, partner in the firm of Kuhn, Loeb and Company, accepted the chairmanship of the Stock Exchange Committee of The Lighthouse, New York Association for the Blind, and announced a goal of $50,000 toward the overall $500,000 campaign, it was announced by Percival S. Howe, Jr., President of The Lighthouse.

Gilbert W. Kahn

Serving with Mr. Kahn on the committee are: Philip B. Weld, Harris Upham & Co.; Edward T. McCormick and John J. Sheehan, American Stock Exchange; Rudolph Gfroerer, Standard & Poor's Corporation; Frederick F. Alexandre, Gude, Winmill & Co.

Also Theodore G. Bremer, Russell, Berg & Co.; Gray MacW. Bryan, Reynolds & Co.; Anthony D. Cassatt and Norman Smith, Merrill Lynch, Pierce, Fenner & Beane; H. W. Cohu, Cohu & Co.; W. Palmer Dixon, Carl M. Loeb, Rhoades & Co.; Peter Elser and George C. Haas, G. C. Haas & Co.; Austin Gray and George U. Harris, Harris, Upham & Co.; William Barclay Harding, Smith, Barney & Co.; James R. Leonard, Moore, Leonard & Lynch; Robert H. Minton, Burnham & Co.; and Frederick S. Moseley, Jr., Robert Winthrop & Co.

Stockholders Get Florida Trip

Robert C. Leonhardt, President of McGrath Securities Corporation, bankers for Micro-Moisture Controls, Inc., with Alexander L. Guterma, Chairman, and Roger Brown, President of Micro-Moisture Controls, Inc., announce the selection of the names of the two stockholders who will be given a free, all-expense trip to Florida to visit Micro-Moisture Controls, Inc. plants in Miami and Hollywood. The stockholders will then report to their fellow-stockholders on their impressions of the Micro-Moisture plants.

The names of the winning stockholders are: George Meluso, Jersey City, N. J., and Lester Cunningham, Springfield, Mass.

The State of Trade and Industry

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

Total industrial production for the nation as a whole in the period ended on Wednesday of last week remained unchanged from the week preceding and was 4% lower than at this time one year ago.

In the latest week, the order level rose somewhat and production was expected to show an early rise. It was further noted that inventory paring appeared to be at an end and many were in an open-to-buy position.

Steel mill operations slipped one point to 74% of capacity and some observers noted, according to Dun & Bradstreet, Inc., that production in the steel industry was again assuming the seasonal pattern so common before the Korean war. All steel items remained in good supply with the exception of structural shapes and oil piping. Orders by automobile manufacturers for sheets were expected to increase soon and reach a peak in March or early April.

Outlays for new construction in January, according to the United States Departments of Commerce and Labor, amounted to $2,400,000,000, placing building activities at "near record levels" for the season. This was a 3% increase over January, 1953. Mostly because of adverse weather conditions, the survey added, the January total was 9% lower than in December.

Competition is forcing steel producers to cut some of their prices and consumers are already benefiting at the rate of many thousands of dollars per year, "The Iron Age," national metalworking weekly, reports this week.

So far base prices have not been cut—except by companies that had been charging premiums. But freight absorption is mounting steadily and cuts in extra charges are rippling through the industry. Extra charges are for certain manufacturing operations required to meet customers' specifications, it states.

A seemingly isolated reduction by one producer to gain business is usually matched by all its competitors within a matter of hours. Having tasted blood in the form of cost reductions, purchasing agents are pressing for still greater price concessions from their mill suppliers. They aren't at all bashful about mentioning a lower offer they have received from another supplier. And in some cases they have even taken the initiative in attempting to negotiate additional price concessions, declares this trade journal.

Last week's reductions of $4 a ton in extras for steel sheets for moderate drawing requirements furnish a good example, "The Iron Age" points out. U. S. Steel Corp. had barely announced the move to meet competition when consumers started pressuring its competitors to do likewise. Within a few hours large steel users had been assured that other suppliers would meet the lower price.

Greatest consumer pressure centered in Detroit for two reasons this trade magazine notes: (1) Not only is the auto industry steel's biggest customer, using about one-fifth of all steel produced, but auto firms are also the biggest individual buyers and (2) Drawing quality sheet is a big tonnage item in the Detroit market.

Little change in steel business is expected for at least the next several weeks and steel sales people generally expect March business to be a little better than January or February, this trade authority reports.

A good many steel sales people feel they have passed the bottom of the inventory correction cycle. In some cases they have been notified of increased tonnage for March, and some order schedules have been advanced. The brighter outlook is attributed more to the end of inventory correction and leveling out of production than it is to any increase in manufacturing, continues this trade journal.

But consumers are reluctant to order much ahead of actual needs. In some cases they ask for delivery on shorter schedule than the mills can meet—even by special expediting. Some of the consumer reluctance to order well ahead as the mills would like can be traced to price concessions. Hoping to make the best deal possible, consumers hold off ordering to the very last minute, concludes "The Iron Age."

Automotive production in the United States in the last few weeks dipped 5% below that in the corresponding period of 1953 because of sharp cutbacks, "Ward's Automotive Reports" stated. Output to date in 1954 was estimated at 679,713 units, compared with 714,837 at the same 1953 period. "Ward's" estimated last week's manufacture would be 105,386 cars and 20,216 trucks, compared with 110,102 cars and 23,017 trucks built in the preceding week. In the comparable week of 1953 United States factories built 115,643 cars and 22,089 trucks.

A reduction of some $2,500,000,000 was effected by business firms in the size of their inventories during December, but at the year-end they were still piled $3,800,000,000 higher than at the close of 1952. Most of the November-to-December decline was confined to retailers' shelves, a report from the United States Department of Commerce showed. Retail stocks dropped about $2,500,000,000. Wholesale inventories dipped less than $500,000,000 Manufacturers' stocks actually climbed nearly $500,000,000. Adjusting all figures for seasonal trends, the department calculated the November-December dip at $232,000,000.

Steel Output Scheduled to Show Modest Decline

Steel demand in the next two months will be about the same as it is today, says "Steel," the weekly magazine of metalworking.

You can come to that conclusion by looking at the projected production schedules of the automobile industry, the largest single consumer of steel, it adds. It is not increasing its February and March schedules over the January pace. The auto industry can

Continued on page 37

Observations . . .

By A. WILFRED MAY

The Kremlin Steps-Up East-West Trade Show

Whatever may be the post-Stalin tempo of the Cold War in general, in the economic area Moscow's offensive now goes on more intensely than ever.

At the Big Four Foreign Ministers' meeting in Berlin, Foreign Minister Molotov lost no time in dangling before our European friends the nostrum of increased trade with the Soviet bloc to supplant their pressing financial problems with prosperity "despite unreasoning U. S. wishes."

A. Wilfred May

The logic of a hungry market of 600 million people of the Soviet Satellite world was set forth with the typical Molotov appeal.

In addition to the blasts on the topic issuing from the Foreign Minister abroad, his bosses back in the Kremlin are losing no opportunity to push their divide-and-conquer strategy. Last Thursday Moscow made the most grandiose of its long series of trade gestures, via a group of 32 visiting British businessmen. As with the visitors to the International Economic Conference in Moscow in 1952, over a billion dollars (£400 million) in gold was dangled before the Britishers by way of "orders" for various categories of equipment (including ships, machine tools, and electrical equipment) supposedly to come over the next three years.

Journalistic Exploitation

In pushing its propaganda the Kremlin now is also exploiting to the full its internationally-beamed press. In each of the last two issues of the "New Times" emanating from Moscow, M. Nesterov, President of the Chamber of Commerce and the Soviet's No. 1 trade official, has seen fit to seize statements by Americans as springboards for his propaganda-launching.

In one of his feature articles M. Nesterov—in line with the technique continually employed by his lesser fry—lit on recent quite innocuous, if not platitudinous, pro-trade statements by Foreign Operations Administrator Stassen and International Chamber of Commerce leader Warren Lee Pierson, twisting them to endorse the Kremlin's divide-the-West purposes.

The pronunciamento "If practical steps to develop normal international trade, particularly between the U. S. A. and the U.S.S.R. and the U. S. A. and China, were to follow such sound declarations, they would be only too welcome," represents Nesterov's gleeful characterization of our countrymen's views.

Another Spring-Board

Your present columnist is involved in the other instance of Mr. Nesterov's journalistic activity. Again the Soviet official used an American's expression as a foil for a "New Times" article. But this time his approach was "in reverse," that is, he cited another's views in the form of a recent article merely for the purpose of finding another excuse to set forth his own propaganda.

Half of Nesterov's three-page article, captioned "Facts and Fiction," is occupied with a personal attack, calling me a purveyor of "deliberate misinformation"; "unscrupulous American pressman . . . reflecting the general propaganda line of the U. S. monopoly press in its campaign against trade normalization"; and referring to my "deliberate attempt to distort the actual picture as a means of belittling an important and heartening development in the international scene today."

The other portion of Mr. Nesterov's journalistic offensive is concerned with positive affirmation of the possibilities and advantages of trading with the Russians:—"The Russians, Mr. May would have us believe, 'are sedulously avoiding contact with Western trade representatives.' Western businessmen know that this is a flagrant and deliberate untruth. They know, too, that representatives of Soviet trading organizations are always prepared to establish contact with the widest sections of the business community of other countries." He then goes on to re-hash the few specific instances, as in Leipzig, where some business, albeit much more talk, was done.

More Playing-to-the-Grandstand

The real situation in rebuttal of all the foregoing is largely as it has been all through the Kremlin's Cold War economic offensive. The latest grandstand play of holding forth the availability of a billion-dollar plum actually carries no new assurance that the West's businessmen can sell to the Russians wanted goods at satisfactory prices, or that the Russians can and will deliver merchandise of proper quality. The East-to-West trade has been declining, mainly because of the East's inability to come through with goods that are needed. The reduction in the Russian crop of grain, which along with timber is a principal export, is an additional limiting

Continued on page 41

We Face a Test of the Economy's Strength and Resiliency

By WM. McC. MARTIN, JR.*
Chairman, Board of Governors, Federal Reserve System

In presenting Federal Reserve's standpoint regarding President's Economic Report, Gov. Martin cites recent production and employment developments, notably the increase in unemployment, which, he says, bears careful watching. Lists as factors in current downturn: (1) turnabout of business inventory accumulation and (2) reduction in defense spending. Says, thus far, downward adjustments have been orderly and with no weakening of the financial fabric. Reveals Federal Reserve actions for easing credit appropriate to a period of readjustment, and stresses importance of an "adaptable and flexible" credit policy. Reiterates, so far as credit and monetary policy is concerned, "we are on our own in the Federal Reserve System."

For nearly a decade and a half, our economy has been dominated by war, the economic consequences of war and preparedness against war.

W. McC. Martin, Jr.

We are now undergoing a transition towards greater reliance upon the private sectors of our economy and less upon defense - stimulated public activity.

Since prewar years, the economy has enormously expanded. For an unusually long time, it has operated at high, at times very high, levels of employment. We have become accustomed to recurrent shortages, to waves of inflationary pressures, and to rapidly expanding output. To some people, any change from these familiar conditions seems ominous. Surely, it would be the height of folly to ride the witch's broomstick of inflation to the inevitable crash.

Anxiety can be overdone. Unless exposed to the broad daylight of facts it could lead to severe declines in buying and hence in production and employment. There's a realistic medium somewhere between being a Pollyanna and a Cassandra. Realistically, after so long a period of upswing—much of it under forced draft—we need to expect a period of testing of the economy's basic strength and resiliency.

The only certain way of dealing with the problems confronting us is to face up to them and work together to appraise and to meet them. The salient facts about the economy's current position and its problems are set forth in the Economic Report of the President. I should like to discuss some of them from the standpoint of the Federal Reserve.

Recent Production and Employment Developments

Since mid-summer 1953, the Reserve Board's index of industrial production has declined almost as much as during the mild recession of 1948-49, when it dropped about 10%. Since late summer, unemployment has doubled. But it should be borne in mind that the decline in production has taken place from a record high level, and unemployment has increased from a record postwar low level.

Currently, where excessive stocks exist, businessmen are undertaking to bring them into line with sales. Competition has been intensified, not among buyers as during the war and much of the postwar period, but among sellers. Efforts are being made to cut costs, please customers, improve products, meet market needs, and keep financial commitments prudent. The consumer is no longer a forgotten man, and that is as it should be in a healthy economy.

Even after the downward adjustment that has taken place, the current level of activity today is high. Output at factories and mines, while less than in early 1953, is greater than in early 1952. Unemployment is only moderately above January of the last two years and consumers, whose purchases take nearly two-thirds of the nation's output, are buying as much as a year ago.

The slackening in economic activity since mid-1953 is the first decline in over-all output of goods and services since 1949. Gross national product declined from a seasonally adjusted annual rate of 371 billion dollars in the second quarter to an estimated 362 billion in the fourth quarter, when total product was about at the level of a year earlier. Reflecting these changes, mid-year employment and hours of work have been reduced and the labor market generally has eased. Unemployment has risen from its postwar low of 1.2 million to an estimated 2.4 million in January, reflecting in part seasonal influences.

This is the vital statistic we must watch vigilantly. Since the end and aim of our society is the welfare of human beings, we cannot and we need not tolerate the cruelty, the indignity of widespread loss of opportunity for gainful employment. Men may differ over what is or is not a tolerable level of unemployment. I do not subscribe to the harsh notion that some unemployment—how much is rarely stated—is a good thing. The man who wants to work and earn a livelihood cannot be expected to be tolerant about any statistical figure of unemployment if it includes him.

However, variation in employment from time to time is inevitable in a modern, progressive economy. It is an inescapable part of the process of progress. For every village smithy that flourished in the horse and buggy age there are scores of garages and service stations today. Progress ends some jobs but creates new ones in increasing numbers.

I do profoundly believe that no other system of government, no other economic order, could have liberated the forces, the energies, the inventiveness, which have brought forth in this nation an abundance, a rising standard of living for its people that is unrivalled in all the history of the world. The faults lie not in our economic system but rather with us. We have learned something about economic measures to minimize the evils of unemployment; for example, we have a nationwide system of insurance to help tide over periods of downturn. We must seek constantly to alleviate the human suffering and to reduce the economic waste of unemployment. That is of the essence of progress under our institutions. It is a primary concern of this Committee.

Some Factors in the Current Downturn

A key factor in receding activity has been a turn-about of business spending for inventories. Last spring, when as a nation we were producing more than we were buying, inventories were being built up at an annual rate of $7 billion. At year-end they were being reduced. The reduction in spending for inventories was as large as the decline in total output of goods and services. If the current readjustment period is primarily the result of an inventory overload, the speed and orderly nature of this adjustment is encouraging.

Following three years of steady buildup, a gradual reduction in defense spending since the middle of last year has also contributed to lessened activity. Such spending is still large and continues to account for about one-seventh of total national product.

Other types of activity have been well maintained. State and local outlays for current operations and for schools, roads, and other public works have continued to rise. Business expenditures for fixed capital have held close to record levels. Residential building has strengthened following some easing last spring and summer. Consumer spending for services has increased further and other consumer buying has been well maintained.

Some declines in imports of industrial materials have accompanied reductions in output, but exports were steady throughout 1953. Maintenance of foreign purchases of American products has reflected, on the one hand, high and generally rising demands abroad, and, on the other hand, the growing financial strength of other nations outside the Communist orbit.

The downward adjustment thus far has been orderly. There has been no perceptible weakening of the economy's financial fabric. Price changes have been selective, and largely offsetting. After earlier declines, average prices of farm products and industrial materials have been fairly steady for some months, with price supports a special factor in the stability of the farm sector.

Reduction in personal income taxes, effective Jan. 1, and increased unemployment compensation benefits have largely offset declines in personal income. Corporate incomes after taxes have benefited by the expiration of the excess profits tax. Consumers and businessmen, while more cautious than earlier, continue to reflect confident attitudes regarding their financial positions and in their acquisition of tangible assets. The equity positions of the major sectors of the economy continue strong in comparison with other high level periods of history. From their mid-year highs, market interest rates have declined appreciably and credit has become more readily available.

Declines in economic activity and employment are rightly a matter of concern. In the light of history, however, it would be unrealistic to expect the economy to perform indefinitely without pause. All in all, the performance of the economy since mid-year is evidence of marked underlying strength and resiliency.

Role of Credit and Monetary Policy

Broadly speaking, there are always two dangers to be avoided in a growing economy: a too rapid upsurge of demand pressures, producing inflation; or a too rapid contraction of spending, producing deflation.

In the credit and monetary field, the Federal Reserve has

Continued on page 36

*A statement by Gov. Martin before the Joint Committee on the Economic Report, Washington, D. C., Feb. 3, 1954.

Forced Drafts Do Not Cure Economic Ills!

By CARROL M. SHANKS*
President, The Prudential Insurance Co.

Life insurance executive, after recounting make-shift war-time expedients such as repression of interest rates and price, wage, and credit controls, points out these and similar "forced drafts" have had no remedial effects, and time has come to take a look as to where they may take us. Cites outcry of pressure groups when readjustments to curb inflation hurt them, and says "I find it difficult to be sanguine as to controlling inflation in our future." Holds farm-price support program, along with world politics, signifies further inflation. Proposes, as offset to "forced drafts" of pressure groups: (1) long-range education of public and (2) exposure of unsound economic proposals. Praises work of financial analysts.

As security analysts, advisers and writers, your influence is felt in many important places. The results of your research, what you think and what you say contribute in a large measure to economic thinking and planning—not only of American business, but perhaps also in the area of national policy.

Carrol M. Shanks

Your influence has never been more important, it has never been more necessary to the maintenance of sound economic thinking and action, than it will be in this year of 1954.

I need not tell you that a hard-headed approach to the future is essential. During the past two decades, we have established an all-time record for make-shift economic planning. We have seen a revolution in our economic thinking, out of which many things have come—not all of them bad. But through it all runs one tendency which can be most destructive — the tendency to use forced drafts to cure, suppress or mask economic, social and political evils.

A forced draft signifies, usually, direct overriding legislative or executive action to bring about economic or social change with emphasis upon an immediate effect. Again, usually, it is motivated by desire to gain political advantage in response to public impatience or fears, or group pressures which are stressing the immediacy of the matter and are pushing for consideration of the particular problem at the expense of all others. If the forced draft comes as simply the pressure of the public or of a group, the response on the legislative or executive side is frequently one of temporizing, of make-shift answers, of sops thrown to powerful blocs, of action to rid ourselves of a problem by putting it off to the future.

Take a specific case: the war and postwar inflation which halved the value of our dollar. The vast public spending of the past decade—some of it necessary but much of it wasteful—coupled with a shortage of consumer goods in relation to purchasing power, very quickly began to cut away the value of our dollar. The nation as a whole was seriously hurt as prices rose. Savings lost value. Millions of people were pinched by the soaring cost of living. The government had at its command techniques of monetary and fiscal control which could have greatly restrained the erosion of the dollar. But a powerful group in the Treasury saw only their own immediate concerns. Their pressure on the Administration caused the narrow Treasury problem of keeping down interest rates on government securities to override the broad interest of the nation in a stable dollar. The artificial holding down of interest rates and the resulting inflationary impetus, postwar, of course, brought outcries from other pressure groups. As nearly always happens when one make - shift expedient is adopted, other make-shifts followed in attempts to correct the results of the first. Wage, price and direct credit controls were imposed in attempts to sweep back the inflationary effect of artifically low interest rates with their accompanying increase in the money supply. A myriad of conflicting and temporizing solutions thus took the place of a carefully thought out long-range program designed to bring a stable dollar. There could be no doubt from the first what the outcome would be.

With the drafts turned off, prices have largely stabilized — but a long-range view shows inflation as far from dead and, to my mind, our major economic peril.

Forced Draft Idea in Our National Blood

The forced draft idea is in our national blood stream. The American public likes the idea, because it produces action — and we are impatient. We want something done. Economic forced drafts were early used to provide employment during the depression. Forced drafts were applied in the way of subsidies and other special concessions to offset in part the handicaps under which the farmer struggled. Political forced drafts made possible the vast growth of labor organizations — which than demanded more forced drafts. Under the pressure of business and other groups, the NRA became a forced draft to effect a short-lived change in the complexion of American industry.

These forced drafts generally but not always produced quick results, of a sort. Not necessarily good results, certainly not wholly advantageous long-range results, but certainly they produced headlines and delivered action.

Because the forced draft is a too-easy way to palliate immediate political difficulties, because it is too effective a political weapon to be easily dispensed with, the time has come to take a look as to where it may take us—to decide how the occasional assets of forced drafts can and should be used, and when — and how — if possible to do so—they should be avoided.

We are all of us today concerned with two broad aspects of our destiny. We are conscious of the fact that the way in which the present Administration handles our domestic economic and poli-

Continued on page 34

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

Thank You Mr. Secretary

THE SECRETARY OF COMMERCE
WASHINGTON 25

Dear Mr. Seibert:

I should like to congratulate you on your splendid Annual Review and Outlook Issue.

By printing so many statements by outstanding leaders of business and government, you have done much to inspire sound confidence in our country's destiny.

Opinions grounded on facts are far more reliable than hunches based on rumors. Knowledge is the best foundation stone for judgment as to prospects.

All during the year you have been presenting such views. This contribution to America's business thinking and planning is an extremely worthwhile public service.

And I want you personally to know my own feelings about what you are doing so well.

Sincerely yours,

Secretary of Commerce

Mr. Herbert D. Seibert
Editor and Publisher
The Commercial & Financial Chronicle
25 Park Place
New York 7, New York

Dealer-Broker Investment Recommendations & Literature

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

Air Conditioning Industry—Analysis in current issue of "Market Pointers"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue are a list of "Storm Shelter" stocks and of Convertible Preferred Stocks with "Two Way Potentials" and a suggested portfolio to yield 5.3%.

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.**

Chemical Digest—Periodical on new research developments—on request—Foster D. Snell, Inc., 29 West 15th Street, New York 11, N. Y.

Dividends for More Than a Decade by industrial classification on common stock traded on the American Stock Exchange—American Stock Exchange, 86 Trinity Place, New York 6, N. Y.

Federal Income Tax—Guide for the preparation of 1954 declaration of estimated tax and 1953 individual income tax return—Bankers Trust Company, 16 Wall Street, New York 5, N. Y.

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

New England in Focus 1954—Brochure—New England Council, Boston, Mass.

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.

Petrochemistry—Bulletin on its long-range investment aspects—David L. Babson & Company, Inc., 40 Broad Street, Boston 9, Mass.

Pittsburgh Bank Stocks—Comparative analysis—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

Pulp Industry in Japan—Analysis in current issue of Nomura's Investors Beacon—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue are analyses of the **Electric Wire and Cable Industry and Spinning Industry** and discussions of **Investment Trusts in Japanese Economy** and current foreign trade.

Report to Investors — Non-technical report on method of determining when a stock is undervalued or overpriced—$2.00—Frank Charles Petrine, 3084 Southwest 27th Avenue, Miami 33, Fla.

Rubber Manufacturing Industry—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is an analysis of **Minute Maid Corporation.**

Short Turn Wire Trading Service—Service describing "short turn" wheat trading methods—free test—Dept. C-24, Short Turn Wire Trading Service, 517 Northwestern Bank Building, Minneapolis 2, Minn.

South on the March—Tabulation of common stocks of corporations operating in the Southern States—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Sun Life Assurance Company of Canada—Annual report—Sun Life of Canada, Sun Life Building, Montreal, Canada.

Trendex Long Term Industry Guides: A Supplement to the Investment Managers' Trendex—E. S. C. Coppock, Maverick Building, San Antonio, Tex.—paper—$10.

Twenty Stocks for Long Term Investment—Bulletin—Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

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

* * * *

Algoma Central & Hudson Bay Railway—Brief analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y. Also available are brief analyses of **Delaware & Hudson Company, Illinois Central Railroad** and **Northern Pacific Railway.**

Arkansas Fuel Oil Corporation — Analysis — Filor, Bullard & Smyth, 39 Broadway, New York 6, N. Y.

Canadian Delhi Petroleum—Bulletin—Kippen & Company Inc., 607 St. James Street, West, Montreal, Que., Canada. Also available is a discussion of **Trans Mountain Oil Pipe Line Company** and **Interprovincial Pipe Line Co.**

Dun & Bradstreet, Inc.—Analysis—Eppler, Guerin & Turner, Fidelity Union Life Building, Dallas 1, Texas

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

Harshaw Chemical Company—Analysis—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

Jefferson Standard Life Insurance Company—Analysis—Equitable Securities Corporation, 322 Union Street, Nashville 3, Tennessee.

McCracken County, Ky. School Building Revenue Bonds—Circular—Stein Bros. & Boyce, Starks Building Arcade, Louisville 2, Ky.

National Homes Corporation—Analysis—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

New York Airways, Inc. — Bulletin — $2 per copy — John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Nunn-Bush Shoe Company — Report — Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

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

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

Trade Bank & Trust Company—Analysis—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

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. 19, 1954 (Milwaukee, Wis.)
Milwaukee Bond Club annual dinner and election at Cudworth Post.

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

There will also be a reception from 12 to 12:30 the same day at the Warwick Hotel, with luncheon promptly at 12:30.

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.

Eberstadt Places Mastic Tile Loans

Seymour Milstein, Secretary and Treasurer of The Mastic Tile Corporation of America, a leading manufacturer of asphalt and vinyl tile flooring, announced today (Feb. 11) the private placement by F. Eberstadt & Co. Inc. on behalf of the company of loans totaling $1,100,000. The proceeds will be used to provide additional working funds and for additional expansion.

The company's plants are located at Newburgh, N. Y.; Joliet, Ill.; and Long Beach, Calif.

With Reinholdt & Gardner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Charles M. Early, Jr., is now with Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges.

With Westheimer & Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio.—Eugene S. Kidwell is associated with Westheimer and Company, 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

NSTA Notes

KANSAS CITY SECURITY TRADERS ASSOCIATION

The Kansas City Security Traders Association has elected Russell K. Sparks, E. F. Hutton & Company, President, succeeding Frank W. North of Barret, Fitch, North & Co. Charles M. Harris, Harris, Upham & Co., was elected Vice-President; R. Dale Whitsitt, A. E. Weltner & Co., Treasurer, and Elmer W. Pauly, Prescott, Wright, Snider Company, Secretary.


Russell K. Sparks


R. Dale Whitsitt


Charles M. Harris

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York, Inc. (STANY) Bowling League standing as of Feb. 4, 1954 is as follows:

Team:	Points
Manson (Capt.), Jacobs, Topol, Weissman, H. Frankel	9
Leone (Capt.), Nieman, Gannon, Tisch, Greenberg	7
Donadio (Capt.), Craig, Gronick, Bies, Demaye	7
Kaiser (Capt.), Hunt, Werkmeister, Swenson, Ghegan	6
Burian (Capt.), Gavin, Clemence, Montanye, Whiting	5
Serlen (Capt.), Rogers, Gold, Krumholz, Gersten	5
Bean (Capt.), Bass, Valentine, Eiger, Bradley	5
Meyer (Capt.), M. Meyer, Frankel, Wechsler, King	4½
Klein (Capt.), Fredericks, Murphy, Weseman, Huff	4
Krisam (Capt.), Pollack, Cohen, Smith, Strauss	4
Growney (Capt.), Boggs, Siegel, Voccolli, Lienhardt	2
Hunter (Capt.), Brown, Reid, Farrell, Barker	1½

200 Point Club
Charles Kaiser ---- 218

5 Point Club
Jack Manson
Joe Donadio

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Investment Traders Association of Philadelphia will hold its 30th Annual Mid-Winter Dinner at the Benjamin Franklin Hotel on Feb. 26, 1954. There will also be a reception from 12 to 12:30 the same day at the Warwick Hotel. Lunch will be promptly at 12:30.

Pros and Cons Of Steel Equities

By PAUL A. MURPHY*

Oglebay-Norton & Co., Cleveland, O.

Mr. Murphy, after reciting investors' fears of slump in steel company operations, discusses effects of drop in steel output on earnings. Concludes "there is every indication that a moderate decline in demand for steel from last year's peak would not severely reduce "Big 3" earnings. Says as investment medium promising a high rate of return and substantial appreciation, steel equities should appeal to those who feel U. S. will experience further growth over a period of time.

There has been much discussion over the past several years concerning the merits of steel industry common stocks. In general the proponents have emphasized the large earning power, high charges for depreciation and amortization, generous yield, and the low market appraisal relative to both original and replacement cost.

The skeptics have not challenged these statements but rather they have countered with such difficult questions as what about the cyclical risk of a sharp decline in operations? What about price cutting such as occurred in the last depression? What about the low average return on investment?

Since neither side has conclusively reconciled the other viewpoint, there is little meeting of minds. It is my hope to present an approach which will place the industry in a perspective from which it will be possible to reach more common agreement as to its investment merits.

In many ways it is amusing to reflect on the possibility that much of the worry about a decline in steel operations, price cutting, and poor return has been caused by the dire predictions of industry members following the end of World War II. Almost every steel leader predicted that any expansion beyond the 91 million ingot tons of capacity in 1947 would have serious financial consequences in the next recession. If the investment community has been influenced by this earlier approach, it now becomes interesting to speculate on the possible effect on analysts of the present basic enthusiasm of most steel leaders for their common stock values.

Although more cyclical than general business, most studies indicate that steel demand over a period tends to parallel industrial activity. As a rough rule of thumb the Federal Reserve Board Index of Industrial Production based on 1935-1939 as 100 appeared to require about 1,000,000 ingot tons for each two points. For example in 1953 steel ingot production was 112 million tons compared with an FRB of about 235; in the first half of 1950 (before Korea) steel production was at the rate of 94 million tons and the FRB was 189; in 1939 steel production was 53 million tons and the FRB 109. While shorter periods may cause discrepancies due to inventory changes or the greater volatility of durable goods, this seems to readjust given time.

Predictions of Future Production

There seems to be considerable agreement, also, among students of economics that greater individual productivity combined with a growing population will cause business to rise some 3% a year, on the average, for many years ahead. While an increase of this amount seems modest at any given time, the passage of 10 or 15 years has a startling effect. Fifteen years ago, in 1939, few of us would have dared to believe that the 1954 recession might cause business to decline to a level that was double the then current rate.

Using a slightly more cautious scale than the 3% annual incre-

Continued on page 41

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

On and Off the Rails

By IRA U. COBLEIGH

Author of "Winning in Wall Street"

A pro and con look at the railway equity list with perhaps some gleanings as to those least likely to get sidetracked in '54.

Ira U. Cobleigh

Today we're going to have a two man panel discussion about the rails—a mythical current conversation between two board room "handicappers"; one, grown rich from earlier railway investments; the other a hard bitten buyer of industrials and a perennial detractor of the rails. The moderator in this discussion is you!

The time 11 a.m.; the place almost any Stock Exchange board room in any big city. The characters George Spelvin, rail devotee, and Richard Roe, agin' em.

Spelvin: Well, Dick, you'd better get with it this year. You've sat around and argued with me for a long time while I've talked up the rails — while I've been making a good buck on New Haven, Denver, Northern Pacific and Union Pacific, not to mention the big swing I had in Seaboard from 10 for the common out of reorganization, up to and including today. I've still got that stock split 2½ for 1 and Seaboard's gonna do better than ever this year.

Roe: Oh yeah! Why don't you give up? I'll admit you had it good for a while; but the rail party's over — all over. You've been yakking about all those rail economies that were so fine for stockholders. Like diesels. Well, most of the roads have gone as far as they can with them. Seaboard, Southern, New Haven, B & M, they've saved their last dollar on the diesel conversion deal. What'll they do next to cut costs—convert to monorails?

Spelvin: You're way off. True, a lot of roads like the ones you mention have gone whole hog for diesels, but there are still a few left to either convert or expand in this direction. Illinois Central is one you want to watch. Accelerated dieselization can do a lot of good there; and what about Norfolk and Western which has about the whole distance to go? Then, too, a lot of roads are just beginning to maximize on their earnings statements, the benefits of their diesel program.

Roe: O. K. so diesels have built up net and still can do a little more on some lines. How'll they do it on declining tonnage for 1954? Any dope knows the rails have high rigid costs. If they get a lot of extra traffic like during a war, or a postwar boom, they look good, sure. Just because the last ten years have sustained railway traffic tonnage, is a bum reason to argue it will continue. Why I'll bet 1954 shows a 6% tonnage drop overall from 1953; and it'll run 10% in the East. How the devil do you get bullish on the rails, or stay that way in the face of a virtual certainty like that? Huh? The rails racked up about $900 million net in 1953 they'll be lucky to hit $700 million this year. That is bullish?

Spelvin: I'll agree the total rail gross, and tonnage figures, may dip this year; but I've never said buy the rails blind. You gotta select here the same as in industrials. There'll be some "no budges" in the list but the ones I'm looking at will move ahead.

Roe: Like what? Name a couple that'll show you a plus by Christmas.

Spelvin: O. K., gladly; but first tell me what you'd like. A big earner and a good payer which might advance, or a lower priced "spec"?

Roe: Give me a solid dividend payer first; one you think has a prayer to advance. Then tell me what you thing it can do on the up side.

Spelvin: I'll do better than that. I'll give you three. First you can buy Union Pacific, this or any other year. It's a finely run road, got a batch of other investments, and wide land holdings. Only last week they added a big hunk of titanium ore to the picture. Union Pacific at 119 is as solid a value as you'll find anywhere on the board. My second entry is Illinois Central, earning around $19 and paying $5. It's streamlined its funded debt, which used to be pretty jumbled, and is expanding its diesel program. It's a well run line, got only a relatively small common capitalization. I'll go out on a limb and say Illinois Central, for 1954, will go up at least 15%, increase its dividend and split two for one. What more do you want?

Roe: You said you'd name three top flighters — you only named two. What's the other?

Spelvin: Southern. Here's one that operates in such a fast growing territory I think expanding industry on the line will more than offset any general business contraction. Per share for '53 was the best in history, $11.62, and has already resulted in a $1 extra (regular rate $2.50) in the first dividend declaration this year. Not only has it dieselized but it has done one of the best jobs in the country in yard modernization. This has knocked hours off running time for through freight; and its transportation ratio of 30.5% is a real mark of total efficiency. At 45 and assuming the $3.50 payout, the yield is 7.7%. Where can you get a better combo than that?

Roe: O. K. I'll agree these three look pretty fair. I don't think they'll rock the market on the up side but I guess you won't lose your shirt in 'em. But what I'm really looking for is a stock that can make a snappy swing up, say, 50% or 75% by the year-end. With traffic in a downtrend where'll you find the stock of a marginal road that can go anyplace but down?

Spelvin: Now you're making it tougher. Picking a low priced rail in today's market is, I'll admit, lots harder than five years ago. Then it was duck soup. Today you've got to look more for special situations or strategic lines. I know you're gonna yell but I'm gonna mention N. Y. Central.

Roe: You bet I'll yell. Why that hunk of market lead is still where it was a year ago, if not lower. And with all the build up too! New President, Bill White; upped earnings from $3.83 to $5.27, and its dividend from 50c to $1.00. If that character was ever going to scare a price gain, it shudda done it last year! What makes you think it's going places today? Are they going to strike oil, or maybe uranium?

Spelvin: Neither, Doc, but I guess you don't read the papers. Mr. Young has increased his Central holdings. That, in my opinion, is part of a big integrated plan that will some day put Central and C & O together. This would dramatically improve earning power all around. Another thing, Central has a king-size investment in New York City Park Avenue real estate, which it will probably sell. The realization here could run into the tens of millions. And Central is sloughing off its losing passenger lines all the time, and improving operating efficiency. You'll find N. Y. Central common pretty resistant on the down side; and if it hits 30 by Dec. 1, I would not regard it as at all astonishing.

Roe: I'm sorry but you gotta do better by me than talk up Central. If you're the hot shot rail bird you pretend to be, you must have a more plausible speculative entry than that one. That's for the birds!

Spelvin: Well I don't think you'll miss on Chicago and Eastern Illinois around 18. It has a lot of new coal traffic, a pretty imaginative management; and should gross more this year than last. Maybe it'll merge too. Don't overlook Central of Georgia either. The common here is loaded with leverage. The road could probably sell off a lot of water front property (Savannah) at a pretty good price. And the 'Frisco merger is by no means dead duck, in my humble opinion. If you want to eat a little higher on the hog here, the $5 preferred is unique. There's $15 of back dividends that people say will be dished out this year. That would cut the cost of a share from $68 down to $53. The $5 rate is amply covered and there's another gimmick in this one. The sinking fund to retire the income bonds spills over to the preferred, when, or if, these bonds are out of the way. If you want to speculate maybe you ought to get Georgia on your mind!

Roe: You know, George, you still haven't convinced me. We're right back where we started on this argument. The rail traffic is dipping; the trucks are taking the freight away, and the planes have got the passengers; and the ever rising cost of railway labor is dooming the industry. Costs will overtake efficiency in the long run.

Spelvin: I got news for you—you're stupid! The rails do their business for cash — no inventory losses. The good roads are getting more efficient every year. Vast cost-saving improvements have been made in classification yard lay out and efficiency; and many roads are going in for roller bearing equipment. Pick-a-back trailer haulage is a new plus; and street congestion in the big cities is slowing through trucking down so truck freight is even coming back to the rails. And there are lots of lines that have some fancy assets on the side—like Northern Pacific and Canadian Pacific with millions of acres of mineral-prone land. No, Dick, for yield (6% to 8%) you can't beat the rails; and for speculation some of the ones I've given you, will out perform your frantic hot-rodding in and out of the industrial list. The rails aren't through, but I can't seem to get that through your stubborn head. See this certificate? It's 100 shares of MOP preferred and it cost me $5 a copy. Ready for lunch now?

West Virginia Turnpike to Open Shortly

By EDWIN L. BECK

I have just seen an audacious engineering dream rapidly becoming a reality. A reality which will mean much to two of the most prolific areas in these United States. Namely, the rich Piedmont section of the deep South and the bustling industrial mid-great lakes section of the North.

Okey L. Patteson Hugh F. Hutchinson

And what is more to the practical point this quickly materializing dream bids fair to become a more than satisfactorily self-supporting project.

It is the **West Virginia Turnpike** which will open late this coming Summer.

The economic value of this first 88-mile link in a modern North-South traffic toll road cannot be appraised with any accuracy although, when completed, it will be of almost inestimable value not only to the State where Daniel Boone, early American pioneer, fought Indians and pushed our earlier United States ever westward, but to adjoining States.

The whole project was the result of straight thinking on the part of West Virginians impelled in some measure by the desire to remove the stigma of having been for a long time a bottleneck for North and South travel.

The Turnpike is a fine tribute to the constructive and forward thinking of leaders in the State, particularly former Governor Okey L. Patteson, during whose administration the project was initiated.

Mr. Patteson, who is now General Manager of the Turnpike Commission, and Hugh F. Hutchinson, member of the Commission, accompanied the inspection group of which the writer was a member.

It is a tribute as well to the engineers who are pushing this modern high speed artery through mountainous terrain maintaining a maximum 5% grade by shaving the noses off mountains, filling ravines, blasting open cuts of great depth, bridging canyons 300 feet deep and driving only one half mile tunnel through one of these picturesque hills. More than 16,000,000 pounds of dynamite have been used in connection with the project, and a total of 77 bridges have been built. In addition well over 33,000,000 cubic yards of shale, limestone and earth have been moved.

To the vacationing motorist a rare treat is in store as students of our national toll highways have already called the turnpike the "most beautiful of all." Its contribution to the State's long recognized attractions as a mecca for tourists is outstanding.

At one point the only tunnel on the project cuts more than 22 miles from the turnpike had it gone around half a dozen mountains above the surface.

From the air above it, the turnpike, is amazingly straight compared with the state's highways which all North and South traffic now has to use.

Many of these state highways have grades of 10 to 14% and more and curves are sharp and numerous.

In fact steel for some of the 77 bridges was stuck in negotiating curves as I was driven in engineers' jeeps to some of the more spectacular spots in the highway.

Mountain laurel is West Virginia's state flower and in the spring of the year it, along with profuse growths of rhododendron, splash almost all of the hillsides with vivid color.

My visit was early in February, 1954 and even with trees bare of foliage and snow on the ground the new Turnpike penetrates beautiful mountainous country.

Probably the Turnpike will be an almost instantaneous success beginning Aug. 1 next, and this most audacious of all U. S. toll roads will roll up a revenue success beyond the expectations of even its most enthusiastic supporters.

An additional issue of $37,000,000 bonds will soon come to market either late this month or early in March and, when, and if, the West Virginia Turnpike carries much more traffic than ultra conservative experts have estimated, the first link in a badly needed North-South toll traffic artery will set the example for neighboring states.

Success is a wonderful stimulant for the cooperation which will be an important factor in creating the North-South traffic artery so badly needed for so many years.

William S. Hunter With Straus, Blosser Firm

William S. Hunter

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Wm. S. Hunter has become associated with Straus, Blosser & McDowell, 135 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Hunter was formerly with Lee Higginson Corporation in the stock trading department.

Harold Kingman With Dean Witter & Co.

Harold F. Kingman has joined the New York office of Dean Witter & Co., 14 Wall Street, New York City, members of the New York Stock Exchange and leading commodity exchanges. Mr. Kingman was formerly with H. Hentz & Co.

Bosworth Sullivan to Admit

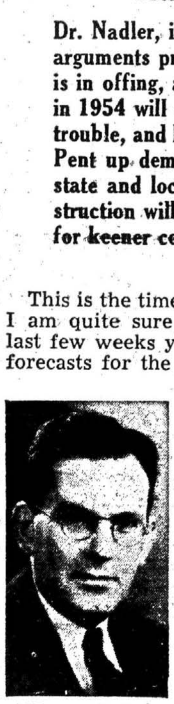
DENVER, Colo. — Bosworth, Sullivan & Co., 660 Seventeenth Street, members of the New York Stock Exchange, will admit Thomas H. Hildt, Jr. to partnership on Feb. 18.

The Boom Has Come to an End, But No Deep Depression!

By MARCUS NADLER*
Professor of Finance, New York University

Dr. Nadler, in asserting "the boom has come to an end," lists arguments presented by "pessimists" that a serious depression is in offing, and says ~~they~~ are wrong. Holds, though business in 1954 will decline, the country is not headed for any serious trouble, and lists as factors maintaining a strong economy: (1) Pent up demand for public works; (2) Spending by Federal, state and local governments will continue high; and (3) construction will continue active at about its present level. Looks for ~~keener~~ competition in business and "a rolling readjustment which set in at end of 1948."

This is the time of forecasts, and I am quite sure that during the last few weeks you heard enough forecasts for the rest of the year. I will be very frank and honest with you. Nobody can predict the future, and it is just as well that we don't know what tomorrow will bring. Nobody can predict the future because so much depends on the attitude of human beings, on the psychology of the manufacturer, distributor, and particularly the consumer. So much depends on political developments at home, and a great deal more on political developments abroad.



Marcus Nadler

But while we cannot predict the future, if we take into account all the facts as we see them, weigh them, measure them, and don't indulge in wishful thinking, we are bound to reach certain definite conclusions and the chances of going wrong are not very great.

At the 15th Reis Forum last year I made the following statements, and I quote from what I said last year: "Certain maladjustments are beginning to creep into our economy. Certain weaknesses are becoming noticeable, and it is of the utmost importance that we do not overlook them. These weaknesses very briefly stated are: "Prices of commodities, notably sensitive commodities, raw materials and farm products are weak; (2) we cannot overlook the fact that the prosperity of 1952 was at least in part based on a huge increase in private indebtedness; (3) the productive capacity of this country has increased materially, and because of all this it indicates quite clearly a highly competitive market and therefore we must realize that competition will be keen, perhaps keener than ever before."

And then I said, and I quote again: "Finally, no boom lasts forever. This boom too will come to an end. When it comes to an end that does not mark the beginning of a long serious depression, accompanied by sharp decline in prices of commodities and accompanied by large-scale unemployment."

We all know that the boom has come to an end. The index of industrial activity as prepared by the Board of Governors of the Federal Reserve System decreased from 137 in July to 130 in November. In all probability December will witness another minor decline. Unemployment has increased from a low of 1,200,000 to 1,850,000 on Dec. 12 and a further increase has taken place since then.

The average hours worked per week decreased from 41.1% in November, 1952, to 39.9% in November, 1953.

The gross national product, that is, the total value of goods and services produced during the second quarter of this year on an annual basis was higher than during the third quarter, and profits of manufacturing corporations during the third quarter of 1953 were about 5% smaller than during the second quarter of the same year.

It is therefore quite evident that the boom has come to an end, that we are in the midst of a transition period. Some call it a transition from a war to a peace economy. Others call it a transition from a seller's to a buyer's market. Others in turn say that we are in the midst of an old fashioned recession.

If you make it your business to read as carefully as I do the various forecasts that have been made about what will take place in 1954 you will find these conclusions: One is to the effect that the United States is headed for a serious decline in business activity, accompanied by large-scale unemployment unless the government spends a great deal of money and is willing to operate with a huge deficit. The other extreme is to the effect that the recession is practically over, business activity in 1954 will be on as high or maybe a little lower, than 1953. These are forecasts made by very competent people who know what they are talking about.

Most Important Question Before Businessmen

In my opinion the most important question before businessmen is this: Are we headed for real trouble? If so, then you will know what to do. If not, an entirely different course will be adopted by you and by business in general.

But in order to ascertain whether we are headed for real trouble, whether we are headed for a serious decline in businss activity, it is first necessary to analyze those factors which have ben considered by the pessimists. On what basis do they (the pessimists) build their forecasts that the United States is headed for a serious decline in business activity?

The arguments presented by the pessimists very briefly stated are these: (1) The great pent up demand for all kinds of commodities has come to an end. From now on the economy of the United States will have to live on the current demand. (2) Military expenditures by the Federal Government which stimulated business in '51 and '52 are decreasing and therefore these expenditures will not influence business activity as favorably as in the past. (3) Investments by corporations have reached their peak. The productive capacity of the country is very great. Competition is keen and is becoming keener. Under these circumstances capital expenditures by corporations are bound to decline.

All these factors combined will bring about an increase in unemployment. This in turn will be further aggravated by the liquidation of inventories which are very large. When business liquidates inventories it leads to a decline of production, and will also stimulate unemployment. The purchasing power of the people will go down and the United States will find itself in the midst of a serious recession, unless the government through huge spending and deficit financing stimulates the economy and prevents the recession from assuming a more serious character.

This is the argument of the pessimists, and I repeat some of the pessimists are men of outstanding ability with international reputation.

In my humble opinion the pessimists are wrong. In my humble opinion the economy of the United States is not headed for any serious trouble. In my opinion while business activity taken as a whole in 1954 may be somewhat lower than 1953, the year 1954 will go down in history as one of the best postwar years that we had.

Some Optimistic Factors

And this is not wishful thinking. It is not based on optimism of a man who enjoys reasonably good health and a happy home life. It is based on solid facts, and these facts are:

(1) The pent up demand for public works in the United States is tremendous. In order to meet this demand to meet transportation deficiencies of this country, about $40 billion will have to be spent. You and I know that from Maine to California and from North Dakota to Florida there is no place anywhere in midtown to park a car. We need highways and byways and parking facilities.

You and I know that the number of children born in 1953 amounted to four million, four million brand new customers. You and I know that there is a shortage of grammer schools in all the communities where you live. By next year there will be a shortage of high school facilities and by 1959 there will be a shortage of college facilities to meet the requirements of the growing population.

There is still a great pent up demand for public works. Lower money rates—and money rates already are lower — will stimulate the construction of all kinds of public works.

(2) To be sure expenditures by the Federal Government will decline. We already were told by the President in his State of the Union message that expenditures for the fiscal year 1954-55 may be by $5 billion smaller, but expenditures by state governments, local governments and public authorities will be larger, and therefore total governmental expenditures, Federal, state, local, and if we add to it the public authorities, in all probability will be at least as large as in 1953.

(3) The construction industry is bound to remain at a high level. Construction contracts awarded during the last four months of 1953 are higher than during the same period in 1952. And construction contracts awarded mean construction in the future. Lower money rates in all probability will further stimulate the construction industry.

Consumption Expenditures

Next, what consumption expenditures will do, that is what the people will do, will to a very large extent depend on industry and trade. Bear in mind that the people have the money, bear in mind that the economic security of the American people is higher than ever before, bear in mind the fact that large-scale unemployment will not develop, bear in mind the fact that the savings of the nation are large, and you will reach the conclusion that the volume of retail trade in the country depends on what the manufacturers and the distributors will do.

Experience has shown, and you know it better than I do, that whenever the public was offered real values that the people bought. And I have confidence in the ingenuity of the American manufacturers and distributors to lure the people to spend.

Moreover, in all probability the cost of food will be somewhat lower. Expenditures for durable consumers goods will be smaller. That in turn means in my opinion that the soft goods industries, which is to a large extent represented here, and notably the textile industry, ought to have a good year, if the job is done.

At the same time again I need not tell you that competition will be keen. 1954 will be the year in which the boys will be separated from the men. The boys will fall by the wayside. The men will do very well.

I could give you many more arguments to prove to you that in my humble opinion a serious decline in business activity as predicted by the pessimists is not to be expected.

What We Can Expect

If we are not to have a serious decline in business activity what kind of business pattern will develop during this present year? In my opinion 1954 will witness a continuation of the rolling readjustment which set in at the end of 1948, which was temporarily interrupted by the effects of the Korean war, and that this rolling readjustment in certain branches of industry will further be aggravated by inventory liquidation.

What does a rolling readjustment mean? Briefly stated it means this: The economy of the country as a whole remains at a relatively high level. There is no large - scale unemployment. The disposable income of the people is large, but business is highly competitive. Some industries do well, others do not do so well.

In 1951-52, for example, the textile industry was in the midst of a rolling readjusment. At the same time the durable consumers goods industry was in the midst of a great prosperity. The economy of the country as a whole, in spite of the fact that the soft goods industries, and notably the

Continued on page 36

*An address by Dr. Nadler at the 16th Annual Arthur M. Reis Forum, New York City, Jan. 12, 1954.

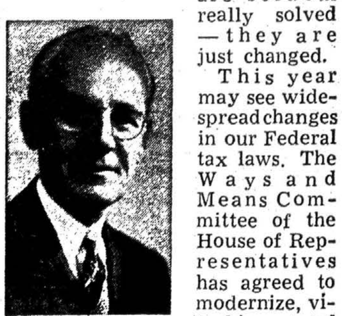
What the Proposed Tax Credit on Dividends Means

By F. E. SEIDMAN

Seidman & Seidman, Certified Public Accountants, N. Y. City

Mr. Seidman presents an interesting and informative analysis of the proposed tax credit on dividends as drawn up by the House Ways and Means Committee. He discusses not only the arithmetic of the credit, but also the significance to the entire investment field, particularly in relation to stocks vs. bonds; dividends vs. capital gain, and taxed vs. tax exempt securities.

The tangled wilderness of economics is nowhere so filled with swamps and underbrush as in the area of taxation. Tax problems are seldom really solved—they are just changed.



F. E. Seidman

This year may see widespread changes in our Federal tax laws. The Ways and Means Committee of the House of Representatives has agreed to modernize, vitalize, and completely reorganize the entire Internal Revenue Code.

Among the problems which the Committee has already acted upon, is the age-old one of the double taxation of corporate income—once on the corporation, and again on the dividends paid by the corporation. The Committee approved two new provisions in that regard.

The first gives complete relief from double taxation for the small investor by providing an exclusion from his income of the first $50 of dividends received for a year ending after July 31, 1954 and before Aug. 1, 1955. For later years, it would be $100. On joint returns these amounts would be doubled.

Under the second provision, dividends received by an individual in excess of the exclusion will entitle him to a direct **credit against his tax** of 5% of dividends **received** after July 31, 1954, and before Aug. 1, 1955, 10% of the dividends received after July, 1955, and before August, 1956, and 15% thereafter. These date limitations obviously put a premium on deferring dividend **payments** until after July. Dividends **declared** before July and paid thereafter would get the full benefit.

In general, the relief from double taxation is limited to dividends from domestic corporations which have been fully subject to the corporate income tax. Moreover, this relief is not made available in the case of dividends received by non-resident aliens.

At first blush, the 5%, 10% and 15% provision appears like a relatively trifling change in our huge tax structure, but upon closer consideration, it looms like a tremendous trifle. It may in fact have not only important tax implications, but profound economic significance as well.

Justice Holmes once observed: "It is often more important to emphasize the obvious than elucidate the obscure." In this case, both the obvious and obscure would appear to require emphasis and elucidation.

Reducing Rate of Tax on Dividend Income

In considering the problem of double taxation, tax students have previously been fairly well agreed that the ultimate objective is to eliminate the tax on corporate income and levy one tax on the income to the shareholder. The Ways and Means Committee has chosen not to adopt this principle, but instead has attempted to apply the relief at the other end—at the shareholder level. In other words, the Committee's procedure is to leave the tax on the corporate income untouched, but attempts to partially avoid the double tax by reducing the rate of tax on dividend income.

The 5, 10, and 15 point allowance proposed by the Committee has the effect, to the shareholder, of reducing the taxation of corporate income to a considerably greater extent than the mere percentages indicate. In fact, by 1956, the tax relief to the top bracket taxpayer would actually be substantially greater than if the entire corporate tax were eliminated.

An example might serve to clarify the point. (Throughout subsequent calculations, the $50 and $100 exemption is disregarded.)

Assume an individual taxpayer, in the 90% income tax bracket, holds all the stock in a corporation. Assume further a corporate tax rate of 50%, and that all earnings after taxes are distributed in dividends. Under the present law, the tax picture for each $100 of corporation income would be as follows:

Corporate taxable income	$100.00
Corporate tax at 50%	50.00
Balance paid in dividends	$50.00
Individual tax at 90%	45.00
Net after corporate and individual taxes	$5.00

Under the Committee's formula, this individual would get an initial reduction in his tax of 5% of his $50 dividend, or $2.50—thus bringing the net after tax to $7.50 for each $100 of corporate income.

As will be seen from the following the same result would be reached for this top bracket shareholder if instead of his receiving the indicated credit one-half of the corporation's income was exempted from tax:

Corporate taxable income	$100.00
Corp. tax on ½ of income	25.00
Balance paid in dividends	$75.00
Individual tax at 90%	67.50
Net after tax	$7.50

In 1955 this individual would get a reduction in his tax of 10% of his dividend, or $5.00 bringing his net after tax under the Committee's formula, to $10.00 per $100 of corporate income ($5 plus 10% of $50). This is the equivalent, to this top bracket shareholder, of 100% removal of the corporate tax, as will be seen from the following figures:

Corporate taxable income	$100.00
Corporate tax	----
Balance paid in dividends	$100.00
Individual tax of 90%	90.00
Net after tax	$10.00

In 1956, this individual's net after tax would be $12.50 ($50 plus 15% of $50). This would be the equivalent of not only removing all of the corporate tax, but allowing an additional tax reduction to this individual of $2.50 to boot.

Of course, this example deals with a top backet taxpayer and therefore illustrates the extreme rather than the usual case. It does, however, serve to forcefully demonstrate the principle underlying the Committee's proposal.

Table I shows the results of the proposal for taxpayers in various tax brackets. ("Taxable income" in this and subsequent tabulations means the income of a married couple after deductions and exemptions. For single persons the taxable income amounts should be cut in half. The tax rates used are those for 1954 and are for the income bracket next above the amount indicated.)

Table I

Taxable Income	Equivalent percent. of corporate tax eliminated as result of individual dividend tax credit of: 5%	10%	15%
	%	%	%
$5,000	6	13	19
10,000	7	14	20
20,000	8	16	24
30,000	9	19	28
50,000	12	24	37
100,000	20	40	60
200,000	45	91	136
300,000	50	100	150

The startling results reflected by some of these figures come about from the Committee's attempt to gear the double tax relief at the individual level rather than at the corporate level. It is obvious that with an assumed corporate rate of 50% and individual tax rates fluctuating all the way from 20% to 91%, it makes a whale of a difference whether the "undoubling" is at the corporate tax level or at the individual tax level.

By using this individual tax credit mechanism and allowing the same 5%, 10% and 15% credit to taxpayers in all tax brackets, the resulting tax relief increases progressively with the size of the taxable income, i.e., the higher the income, the greater the percentage of relief. This can be seen from the following, which compares the after-tax percentage increase in net income resulting from the 5% dividend tax allowance for two taxpayers—one in the 20% bracket the other in the 90% bracket:

	—Tax bracket—. 20%	90%
Dividend income	$100.00	$100.00
Present tax	20.00	90.00
Remainder	$80.00	$10.00
5% div. allowance	5.00	5.00
Net after tax	$85.00	$15.00
% increase in net	6%	50%

Putting it another way, for every $100 the 20% taxpayer previously netted after tax, he will net $106 in 1954 under the Committee's proposal, whereas the 90% taxpayer will net $150 for every $100. When the dividend credit goes up to 10% in mid-1955 and 15% in mid-1956, the after-tax advantage of the higher income groups will be considerably greater than in 1954.

Table II shows the extent of the spread in the indicated income tax brackets after the various dividend allowances go into effect.

Table II

Taxable Income	Dividend tax allowance of 5%	10%	15% increases $100 of after-tax dividend income to:
$5,000	$106	$113	$119
10,000	107	114	120
20,000	108	116	124
30,000	109	119	128
50,000	112	124	137
100,000	120	140	160
200,000	145	191	236
300,000	150	200	250

It will be seen that in some cases, net income from dividends—after tax—will ultimately more than double for top bracket taxpayers. It is to be doubted whether many investors — especially those in higher tax brackets—yet realize the full effect of this potential change and what it may mean in net yield from dividend income.

One way to point up this difference is to compare the income yield of a stock after giving effect to this new tax credit, with the yield of a bond.

Under the present law, the tax effect is exactly the same whether a taxpayer receives a given amount of fully taxable interest or fully taxable dividends. Thus, for instance, a 4% stock or a 4% bond would yield exactly the same net after tax. This will not be so when, as, and if the new tax credit procedure is adopted. Far from it. All other factors being the same, an investment in stock would be more attractive than purchasing bonds. As the accompanying table shows (Table III), in order to get the equivalent of a 4% stock yield, a bond would have to yield anywhere from 4.3% to 10.0%, depending upon the year involved and the tax bracket of the individual investor.

Table III

Taxable Income	Required yield on a taxable bond to be equal to the after-tax income of a 4% preferred stock with a dividend tax allowance of 5%	10%	15%
	%	%	%
$5,000	4.26	4.51	4.77
10,000	4.27	4.54	4.81
20,000	4.32	4.65	4.97
30,000	4.38	4.75	5.13
50,000	4.49	4.98	5.46
100,000	4.80	5.60	6.40
200,000	5.82	7.64	9.45
300,000	6.00	8.00	10.00

This change, if it becomes law, is ultimately bound to affect the entire relationship between bond and stock prices. Everything else being equal, it should narrow the spread between stock and bond yields — bringing stock yields down and bond yields up.

This might call for a complete reappraisal of the pros and cons of stock versus bond financing. (See "Commercial & Financial Chronicle," May 22, 1952, "How Borrowing Saves Taxes," by the author.)

Effect on Stock Yields

The extent to which stock yields might decline as the result of this new tax factor is, of course, impossible to foretell. However, from Table IV it can be seen how far down in yield the indicated income groups can go and still get the same net after-tax result as they get now—without benefit of the new tax credit:

Table IV

Taxable Income	With dividend tax allowance of 5%	10%	15% div. rate required to obtain the same after-tax-yield as can presently be obtain. from 5% stock is:
	%	%	%
$5,000	4.70	4.43	4.19
10,000	4.68	4.40	4.16
20,000	4.63	4.31	4.03
30,000	4.57	4.21	3.90
50,000	4.46	4.02	3.66
100,000	4.17	3.57	3.13
200,000	3.44	2.62	2.12
300,000	3.33	2.50	2.00

Thus, assuming that a 5% yield is what is required to attract stock investors with the tax law as it stands now, a yield ranging from 4.7% to as low as 2.0%, depending upon his tax bracket, after taking into consideration the 5%, 10% and 15% tax allowance — would leave the investor in the same boat as he is at present.

The new dividend tax allowance should also have its effect on the tax-exempt bond market. This for the reason that dividends will be partially tax-exempt, and therefore compete to some extent with fully tax-exempt yields. Table V shows what a 5% stock yields after tax at the present time, at the indicated brackets. It also shows what a tax-exempt bond would have to yield to be equal to a 5% stock after taking the 5%, 10% and 15% dividend tax allowance into consideration:

Table V

Taxable Income	With a dividend tax allowance of 0%	5%	10%	15% a stock yield'g 5% is the equivalent of a tax-exempt bond yield'g
	%	%	%	%
$5,000	3.90	4.15	4.40	4.65
10,000	3.70	3.95	4.20	4.45
20,000	3.10	3.35	3.60	3.85
30,000	2.65	2.90	3.15	3.40
50,000	2.05	2.30	2.55	2.80
100,000	1.25	1.50	1.75	2.00
200,000	.55	.80	1.05	1.30
300,000	.50	.75	1.00	1.25

Thus, to match a taxable yield of 5% a tax-exempt bond would have to yield 3.10% for an investor, say with $20,000 of taxable income under the present law, whereas after the 5%, 10% and 15% dividend tax allowances go into effect, the tax-exempt bond would have to yield 3.35%, 3.60%, and 3.85%, respectively, to get the same net after-tax yield. In the 90% bracket, a present yield of one-half of 1% would have to be raised to .75%, 1%, and 1.25%, respectively, to match a 5% stock.

The new dividend tax credit should also have its effects on the capital gains battle. By reducing the tax cost of dividends and leaving the capital gains tax as is, the tax benefit of capital gains has, of course, narrowed. This is especially true as respects moderate rate tax brackets, as will be seen from the following figures:

Table VI

Taxable Income	——Net tax rate on—— Long-term capital gain	Dividend with div. tax allowance of: 0%	5%	10%	15%
	%	%	%	%	%
$0-$4,000	10	20	15	10	5
4,000- 8,000	11	22	17	12	7
8,000-12,000	13	26	21	16	12
12,000-16,000	15	30	25	20	15
16,000-20,000	17	34	29	24	19
20,000-24,000	19	38	33	28	23
24,000-28,000	21.5	43	38	33	38
28,000-32,000	23.5	47	42	37	32

Thus, for married taxpayers with income of less than $16,000, it will ultimately actually be more advantageous taxwise to receive dividends than to realize long-term capital gains.

Even for married couples with incomes of over $16,000 and up to $32,000—where a long-term capital gain is cheaper than dividends—the difference would ultimately be so narrow as to make maneuvering for a capital gain not as popular an indoor sport as it is now.

Effect on Corporate Form of Doing Business

An over-all effect of the dividend tax allowance formula should be to make the corporate form of doing business a little more palatable from the tax angle than it is now. By minimizing the double tax, the corporate form may in some cases be more attractive, taxwise, than operating as a non-corporate entity.

W. J. Pekar Co. Formed

William J. Pekar has formed William J. Pekar & Co. with offices at 11 West 42nd Street, New York City, to engage in the securities business. He was formerly with Graham, Ross & Co., B. G. Phillips & Co. and Cantor, Fitzgerald & Co.

Mutual Fund Sales Formed

Mutual Fund Sales, Inc., has been formed with offices at 15 Broad Street, New York City. Charles E. Bacon is a principal of the firm. Mr. Bacon is also proprietor of F I F Sales Co.

Barrett Herrick Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Ralph R. Smith has been added to the staff of Barrett Herrick & Co., Inc., 418 Locust Street. He was formerly with A. A. Tibbe & Co., and Scherck, Richter Co.

The Professional Investor Looks at 1954

By CHARLES F. EATON, JR.*
Eaton & Howard, Inc.

Mr. Eaton lists as matters for business man and investor to consider in 1954: (1) increased capacity in many industries; (2) the lessening role of government; (3) declining defense expenditures; and (4) lower farm income. Places as more important in the business picture however, the increase in competition. Sees symptoms of new conditions in many fields, which project a downturn in business activity, but holds competition itself is a sustaining force. Looks for new products and individual expansion of existing businesses as a means of maintaining level of operations. Expresses preferences for shares of leading and growth companies in various industries.

As a preliminary, we should point out, of course, that we are investors. That calls for another definition. An investor certainly must deal with the future—and that is speculative—and that is a bad word, so let's skip it and speak of the forward-looking investor. He must look not just at 1954 but at 1955, 1960 and 1975. He must try to see the real future—the forest—not just the trees. Like most people, we have been much interested in the forecasts of the President's Materials Policy Commission and the longer-range forecasts which have been supplied by the representatives of the electrical equipment, rubber and other industries. Our major concern is with the long-term and not just with the prospects for the next six months or twelve months.

Chas. F. Eaton, Jr.

However, we are also quite willing and anxious to look at 1954 with you today. It might be fatal if we raised our heads so far into the clouds that we overlooked the quagmires and quicksands which may be in the path immediately ahead.

There are many things for the businessman and investor to consider in 1954. This year, such developments as (1) increased capacity in many industries, (2) the lessening role of government, (3) declining defense expenditures and (4) lower farm income seem to be attracting attention. However, in our thinking, perhaps more important in the business picture is *competition.*

Our economy is now making a transition—which will bring this competition forcefully into play. Briefly the transition can be described as a drift from a sellers' market to a buyers' market. Some industries shifted to a buyers' market earlier in the postwar period. By the end of 1953, many companies had made this shift.

For an extended period after World War II, American businessmen were primarily concerned with production. Pressure was on to expand output, build new facilities, insure adequate raw material supplies and keep labor on the job so that production would not be interrupted.

These problems will continue to be important, but other matters will be receiving increased attention: development of new products, cost control, merchandising—in short, the businessman will be attempting to maintain profits in a market which no longer will automatically swallow up all the goods he can produce.

*A talk by Mr. Eaton at the Third Eastern Regional Conference of the New York Society of Security Analysts, Inc., New York City, Jan. 29, 1954.

Symptoms of New Conditions

We see symptoms of the new conditions in many fields. For example, in the oil industry, after several years of rapidly-rising demand which amounted to about 10% annually, the industry finds itself faced with more moderate increases in consumption and sharply higher levels of productive capacity. There have been some price increases in oil products but also some price cuts, and there is a general wailing and gnashing of teeth as suppliers find that the previous lush conditions are past. We are also seeing a transition in the steel industry where the operating rate has finally dropped substantially.

Although generalizations are always dangerous, it seems to us that a similar transition is now taking place in almost every American industry, and this has produced some sort of a mild state of alarm among business people and particularly we should say among financial people. There have been forecasts, with which we would not disagree, of a moderate downturn in business activity in 1954 as compared with 1953.

It is quite natural that some are a little apprehensive as they watch these transitions take place. We may ask ourselves, "Without the Federal Government pouring ever-increasing funds into our economy, how are we going to fare? Unless we have constant expansion of plant facilities and a steadily-rising government budget, will our economy collapse?" Well, we can't predict accurately what is ahead, but our feeling is that there are forces present in American industry besides those which stem from government, and these can be counted on to sustain reasonable business activity.

Competition a Sustaining Force

One such force which will keep us moving ahead is competition itself. For the first time in a long while, businessmen will be giving their attention to reducing costs to the lowest possible level. The profit margin will receive renewed attention. This is not just idle theory, since a number of companies with whom we have talked have indicated that they anticipate lower volume in 1954. In order to maintain their profits, they are rearranging production lines, buying new equipment and building new plants in order to turn out their finished products at the lowest possible cost. Certainly lower costs and selling prices and better products can help stimulate consumer buying.

Introduction of new products and expansion of existing businesses will be another avenue which many firms will use to maintain their operations. We have recently talked with a manufacturer of electrical appliances who conservatively estimates that some of the existing lines will experience a lower volume of sales in 1954 than in 1953. However, the company has a number of new items which have important sales potentials and which can result in a sustained or increasing volume of business.

Many industries have already made the adjustment with which we are concerned and are in the midst of a hard competitive fight. For example, the retail trade companies experienced their peak postwar sales and earnings in some cases as far back as 1947 and 1948. Since that time, intense competition has been the order of the day. It seems to us that we as investors can learn a lesson from the experience of the retail merchants. Some have shown very little progress since the end of the days of easy selling and the filling of World War II deferred demands. Others, by expansion of existing outlets and establishment of new stores, have moved ahead. Sears, Roebuck and some of the department store chains are good examples of this trend. The following illustrates their varying degrees of success as measured by sales changes from 1947 to 1952:

	%
Sears, Roebuck	+48
Montgomery Ward	— 6
Federated	+47
Marshall Field	+ 6

Business as a whole seems to recognize that it is faced with a new situation and that competition is the new element. This is seen in plans for 1954 capital outlays which perhaps surprisingly enough show only a small decline from those of 1953. Emphasis in these spending plans for 1954 seems to lie not in the direction of new plant but in the way of improved machinery and modernization.

Perhaps our theories about the constructive role of competition would be meaningless if there were too great maladjustments which needed correcting. It does not seem to us that such maladjustments exist. Business has been reasonably conservative both in its expansion plans and in its financial practices. There has been undeniably a heavy dependence upon debt in recent years, but carrying charges for these obligations in relation to the volume of business seem reasonable. A cautious attitude has been generally evident.

We are not in that group of people, if there is such a group, who feel that there will never be another recession. Certainly recessions and recoveries will occur as long as we have human nature and a free or semi-free economy. We have a recession in some industries right now.

How do we plan an investment program against this kind of business background? In general, the investor facing 1954 might use the same standards as he uses in any year. He should emphasize management, the basic position of the company and the price at which the securities are selling. We can easily visualize that some of the companies in which we have an interest will experience lower sales and earnings in 1954 than in 1953. We think that in certain cases this has been adequately reflected in the prices at which the stocks are selling. Perhaps the case of Firestone Tire & Rubber Company which has recently issued its annual report showing earings of $11.77 in 1953 is a good example. It seems to us that unless a really serious depression develops, Firestone in 1954 will again report a sufficiently high level of earnings to well justify the present price of the stock. We have a similar attitude toward our small holdings in the steel and other so-called "Cyclical" industries.

It seems to us that the next few years are likely to witness a definite screening process with those managements who have been drifting along the course of least resistance during the postwar period finally revealed and brought to account. On the other hand, the able, efficient companies which have been held back by such factors as shortages of raw materials and price controls will have a chance to demonstrate their superior abilities. Accordingly, we will seek out those managements which can operate in a competitive economy. By study of statistical data where available, and by conversations with company officials, we will attempt to select those companies which are most efficient in their operations.

There are certain factors which might receive special weight in view of the transition to the competitive economy which we foresee in 1954. Here are some of our thoughts on the subject.

(1) We prefer *leading* companies in the various industries—those which demonstrate adequate profit margins and strong finances and are gaining ground.

(2) We prefer growth companies: Business organizations or industries which have a backlog of new products and an expanding field of operation are not likely to be faced with the extreme competition which will characterize a static or contracting business.

(3) We will give considerable weight to those companies which promise to be relatively less affected by the competitive conditions ahead in 1954. For example, in many areas of the country natural gas continues the least expensive fuel. There seems to be nothing in prospect to change this situation, and the conversion of existing home burners and commercial and industrial establishments to the use of natural gas should continue *almost regardless* of what happens to general business. Similarly, we feel that the electric public utilities are well insulated against a business recession. As another example, the insurance companies whether life, fire or casualty should enjoy good business in 1954 and not have to worry about the same sort of problems as their contemporaries in general industry.

For long-term holding and for the long-term investor, it seems desirable to emphasize equity investment. We recognize the essential place for fixed income securities in a prudent investment program, and in that area we favor short and relatively short-term commitments.

For a short time, in the spring and summer of 1953, there was reason to think that yields on bonds and preferred stocks would become sufficiently attractive so that they would offer real competition to common stocks. With apparent reversal in the Government's money policies, yields on prime senior securities have again declined to a point where relative to common stocks they do not seem particularly attractive.

Stafford Heads Dept. For Lee Higginson

Lee Higginson Corporation, 40 Wall Street, New York City, announced the appointment of John H. Stafford, Jr. as manager of the municipal department. Prior to joining Lee Higginson Corporation in 1943, Mr. Stafford had been with Glore Forgan & Company.

With Eastman, Dillon

PHILADELPHIA, Pa. — Eastman, Dillon & Co., 225 South 15th Street, members of the New York Stock Exchange, announce that Edward Anderson Parsly is now associated with them as a registered representative.

With Weil, Pearson & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Fred Schwender has become associated with Weil, Pearson & Co., of Boston. He was formerly for many years with R. H. Mabbatt & Co., Inc.

The Long View Is Important

By CRAWFORD H. GREENEWALT*
President, E. I. du Pont de Nemours & Company

Asserting stability of the business cycle and industrial progress are completely incompatible, prominent industrial executive holds whether there will be a recession will depend largely upon national psychology and on decisions based on presence or absence of confidence and optimism. Sees consumers' attitude a prime factor in business fluctuations, but points out industry should concern itself with the long-term upward trend rather than with short-term swings. Stresses value of research and improved technology in maintaining future prosperity and in creating "the abundance that enterprise will bring."

I don't suppose there is any question being asked more frequently these days than "How good or bad is business going to be in 1954?" Will it be up or will it be down, and if it is down will we be in a recession or merely a readjustment? When I am asked that question, it causes me deep embarrassment. If I tell the truth and say I don't know, people think I am an ignorant fellow. If I close my eyes and say up 5% or down 10%, according to my mood at the time, I am violating a cardinal principle of my scientific training which is to be both objective and honest.


C. H. Greenewalt

I must say I admire greatly the courage of the economist who retires into his kitchen and compounds a witches brew made up of such items as personal income, inventories, construction, farm prices, government spending, and the money supply, and comes out with the statement that the production index in the third quarter of 1954 is going to be 127, no more, no less. Maybe he will be right, but the odds are much better that he will be wrong.

We have also the rather grim technique of those who have said in every year since World War II that the next year will see business falling off. Perhaps we should admire their persistence, but it is only fair to point out that, like the man who calls heads every time a coin is flipped, sooner or later they will be right. It may even be that they will be right in 1954.

Of one thing we can be sure, and that is that our economy does not ride along in a straight line. Like any countryside it has its hills and dales, its ups and downs. It would be far more constructive if, instead of trying to predict the precise shape of the hill or valley in the year ahead, business people would find ways to minimize these inevitable ups and downs so as to remove from the horizon both the high peaks of 1929 or the deep canyons of the early '30s.

Stability and Progress Incompatible

I think also that stability in the business cycle and industrial progress are completely incompatible. Stability by definition means leveling out, or to use a less pleasant word, stagnation, and I doubt that there is any thoughtful businessman who would trade progress for stability, either for himself or for the American economy.

We have in this country not an economy of necessity, but an economy of abundance. Our consumption of food, shelter, and clothing—all necessities of life—is predictable within reasonably narrow limits. Our consumption of automobiles, television sets, washing machines, and the other luxuries of an abundant life is in large measure unpredictable. For that depends not upon our desires, which are insatiable and endless. It depends simply on the average outlook of our people whether they feel safe in increasing their consumption or whether they are fearful of their economic well-being.

A few centuries ago, people had few luxuries and their preoccupation was mainly with keeping themselves fed, clothed, and sheltered. In those days, I suppose depressions were influenced more by the weather and its effect on agriculture than by any other single factor. Even in this area forecasters were notoriously inaccurate, as I am afraid they are today, since weather still seems frequently unpredictable.

In modern times, however, the causes of recession are much more nebulous, since they depend not upon natural phenomena but upon human decision. Whether or not we will have a recession in 1954 will depend largely upon the direction of the national psychology and on the decisions that are influenced less by rational economic reasoning than by simple confidence and optimism. Obviously this involves great numbers of people, and the governing decisions will be made not only in business offices and board rooms but around the dining room table in millions of American homes. What we call "buying power" is in this country no arbitrary factor. For most of the things people buy are deferable. The purchase of that new automobile can be put off until next year. The current television set or washing machine or refrigerator can be tolerated a while longer. The new house doesn't have to be built. If people in the mass as consumers and as businessmen feel that they wish to defer a large percentage of their normal purchases, we will surely have a recession. If they are confident, willing, and able to satisfy their desires, we will have a boom. In short, if we could find some way of climbing into the minds of 160 million people, we could tell very easily how good or bad business is going to be.

No one has yet learned how to measure or how to influence people's confidence. A few things we do know. We know, for example, that a depression, once started, accumulates momentum like a snowball rolling down a hill, and that panic is a communicable disease far worse and far more rapid in its spread than any that affects us physically. It follows then that the business community must accept major responsibility for seeing that panic does not start. That it can do by maintaining its confidence high and its economic temperature as near normal as possible. In this atmosphere, the corrections that will be applied will be small and not in themselves frightening.

Today, for example, business inventories are said to be high, perhaps substantially higher than can be justified by present or expected sales volume. If business people should suddenly decide to correct that situation all at once, panic and depression would almost surely ensue. If, on the other hand, the correction is made in small increments over a reasonable period of time, the problem should be manageable and confidence maintained.

The Long-Term Trend Should Be Major Objective

But above all else, industry must keep its eye firmly fixed upon the long-term upward trend—the amazing and dynamic industrial progress shown in this country over many years. For in the last analysis it is that upward thrust in inventiveness and productivity that is the sure and tested tool that puts an end to any depression whether it is major or minor.

Let me cite an example. The Du Pont Company recently celebrated its 150th birthday. I take great pride in that circumstance but that is not why I mention it here. I mention it because our business is one of the very few that has the perspective of many years of successful operation. The first available Du Pont balance sheet is for the year 1810 and in that year our assets totaled $109,000. A hundred years later in 1910, they were $81 million and today, excluding our investment in General Motors Corporation, they are approximately $2 billion. If we translate those figures into growth rates, we find that both in the first 100 years and the last 50 our rate of growth has been about 7% per year compounded. The point of all this history is not to boast about the Du Pont Company's success. It is simply to remind you that in that 150-year period we had five major wars, at least six depressions of very substantial magnitude, and all conceivable shades of political climate and opinion—and Du Pont is still here and still growing.

The Case of the Du Pont Company

It would be interesting if the presidents of the Du Pont Company had kept personal diaries. Unfortunately they did not, but I am perfectly sure that each of my predecessors at some time in his presidency worried and fretted for fear the business might collapse or suffer some major and permanent setback. The founder, the first E. I. du Pont, had to borrow money in the severe depression of 1819 to rebuild his factory that was destroyed by explosion. General Henry du Pont, his son, passed successfully through the Civil War and the two depressions that followed it. I have heard Irenee du Pont talk about sleepless nights during the depression of 1921 and Lammot du Pont discourse on the trials and tribulation of 1932. I can confess to some troubles and worries of my own.

The point I wish to make is that when those events are viewed against the pattern of our country's steady long-term growth and prosperity, the bad times, so troublesome in their particular setting, fade first into unpleasant memories and finally to unimportant historical items in dusty and forgotten archives.

It is also interesting to note that when anyone in the past has attempted to predict the long-term future, his forecast has turned out to be hopelessly short-sighted and pessimistic. Benjamin Franklin, for example, thought at the end of his life that it would perhaps take centuries to settle the American continent. The State of California stands as a monument to his error. Thomas Jefferson in announcing the Louisiana Purchase felt that the territory might be fully occupied after 25 generations. The railroad and the steamboat opened it up to settlement within a few decades. In the early 1900's a gentleman from Philadelphia grew enthusiastic about private motor cars and foresaw the time when there would be a hundred or so in every city. I might add that

Continued on page 39

*An address by Mr. Greenewalt before the Commonwealth Club of California, San Francisco, Cal., Jan. 22, 1954.

From Washington Ahead of the News

By CARLISLE BARGERON

Young John Kennedy, the junior Senator from Massachusetts, seems to have the same flair for being provocatively unpredictable as was his father, Joe, when he was in public life. On the recent occasion of the Senate's passage of the so-called St. Lawrence Seaway Bill he broke a long tradition of opposition on the part of the Massachusetts Congressional delegation and made a speech in favor of it. This was quite a blow to the opponents and had a lot to do with their rout in the upper chamber. It was well staged. The proponent Senators gathered around him and congratulated him on being big enough to see the "national" interests involved. Similarly a large number of editors have taken him to their bosom as a comer on the national political scene.


Carlisle Bargeron

The young man is quite capable and his experience in the Pacific during World War II leaves no doubt that he has plenty of physical courage. I remember the excellent work he did on the House Labor Committee during his first term as a member of the lower house.

But the editors who have been applauding his broad "national" outlook as opposed to narrow "sectionalism" which they are attributing to such an outstanding man as Senator Saltonstall had better take another look at the young Senator's political and economic views. As he has explained in a series of speeches in the Senate, which had the thorough preparation of a young man writing his thesis, his reason for voting for the St. Lawrence project was wholly sectional. He thinks New England has been very backward in not getting in on public pap. He thinks New England, in fact, should go after a TVA. He looks admiringly upon the people of Tennessee and Mississippi and parts of Alabama, the Tennessee Valley folk, as being progressive, modern, up and coming, and so forth. In his opinion, the New Englanders instead of retaining their rugged individualism should take a leaf from the Tennessee Valley folks' book. Now, the way for him to get pap for New England, as he sees it, is to vote for pap for other sections. Frankly, I think the young man's views are anachronistic. They might have gotten somewhere under the New Dealers. They aren't likely to get far under the Republicans. I am quite sure that the bill sponsored by Margaret Chase Smith to authorize a $3 million appropriation for a survey of the power potentialities of Passamaquoddy Bay will never get through the Senate, certainly not the House and if it should through some trick of fate be enacted into law, the appropriation would not come in her life. When Senator Wiley had his Foreign Relations Committee report out the authorization bill he could not have been unmindful of this nor of his need for her support of his pet St. Lawrence project.

McCleary & Co. Inc., New NYSE Member

ST. PETERSBURG, Fla.—McCleary & Co., Inc. has been admitted to membership in the New York Stock Exchange. This is the first firm with home office in Florida to become a member of the exchange. It will open in new offices in the remodeled


George M. McCleary


Arthur Knapp, Jr.


Ronald A. Beaton

building at 556 Central Avenue (formerly the St. Peterburg Federal Savings and Loan Association Building), March 1. Officers of the new corporation are George M. McCleary, President; Arthur Knapp, Jr., member of the New York Stock Exchange, Vice-President; and Ronald Beaton, Secretary-Treasurer and Office Manager.

Mr. McCleary has been in the investment business in Florida for 20 years and since 1940 has been head of Florida Securities Company, which will be replaced by the expanded services of McCleary & Co., Inc.

Mr. Knapp has been with the firm of Carlisle & Jacquelin (formerly Jacquelin & DeCoppet) since he was graduated from Princeton in 1928, where he majored in economics. He has been a member of the New York Stock Exchange since May 19, 1933 and will continue as an associate odd-lot broker for Carlisle & Jacquelin. He is a well-known yachtsman and racing skipper and is the author of a book on yacht racing, "Race Your Boat Right," published in 1952 by D. Van Nostrand & Co.

Mr. Beaton has been in the investment business in Florida for the past 17 years recently having been associated with A. M. Kidder & Co. and prior thereto was with Merrill Lynch, Pierce, Fenner & Beane for many years.

The Attractive Outlook for Electric Utility Securities

By WALTER H. SAMMIS*
President, Edison Electric Institute
President, Ohio Edison Company

Spokesman for electric light and power industry recounts statistical evidence of its recent progress. Foresees little, if any, decline in revenues and net income of electric light and power industries due to anticipated readjustment in business in 1954. Points to the increasing residential use of electricity as a stabilizing factor, and praises work of regulatory commissions in granting rate increases as offset to currency depreciation. Reveals large amount of electric utilities financing, and predicts good earnings record of electric light and power companies will continue.

Whenever it is expected that there will be a change in the trend of business, investors and their advisers endeavor to analyze the effect of such a change upon the securities of various industries. I shall endeavor to review a few fundamentals that should help you in the analysis of electric light and power company securities.


Walter H. Sammis

There can be no question that 1954 will be a year of economic readjustment. To what extent business may slow down and how long before the pendulum shall swing upward again are matters of varied opinion. Not being an economist I shall content myself with merely calling your attention to a summary of the discussions by leading economists at the National Industrial Conference Board Economic Forum on Nov. 30, 1953, which indicates that the readjustment in 1954 will be of the magnitude of 5% to 7% in Gross National Product and 10% to 15% in the F.R.B. Index of Manufactures.

In the year 1938, a so-called recession year, the Gross National Product dropped 6.1% from the level of 1937 and the F.R.B. Index of Manufactures dropped 26 index points or 23%. However, the composite revenues of the electric light and power companies only decreased 0.6% and the net income decreased 4.7%. Again, in the year 1949 the Gross National Product dropped 0.3% and the F.R.B. Index of Manufactures dropped 15 index points or 7.6% from the level of the preceding year, but the composite revenues of electric light and power companies increased 5.8% and the net income increased 14.9%. If we go back to the depression of the early thirties, the Gross National Product dropped 43.8% from 1929 to 1932 and the F.R.B. Index of Manufactures dropped 53 index points or 48.2%, but the revenues of electric light and power companies as a whole dropped only 5.7% and the net income dropped 13.5%.

Thus with the anticipated readjustment in business in 1954, predicted by the leading economists mentioned heretofore, the revenues and net income of electric light and power companies as a whole, in my opinion, should not experience any decline.

Let us analyze some of the factors affecting the electric light and power industry.

Revenues

At the very outset I should like to call your attention to a study of the total kilowatt-hour generation of electricity in this country for the past 27 years by all agencies contributing to the public supply — investor-owned, government-owned and cooperative—and by industrial plants that generate their own power requirements in whole or in part. I selected the year 1927 for the starting point as it appeared to be a normal year prior to the depression of the 'thirties. This analysis indicates that the investor-owned companies generate the preponderance of kilowatt-hours and that presently the remainder is almost equally divided between generation by government agencies and by industrial plants. Cooperatives were not separated as a class until 1947 and their generation is but a small part of the total.

The growth of the electric light and power companies' output during this period averaged 6.4% per year compounded.

The kilowatt-hour generation on a percentage basis shows that despite the rapid expansion of government power operations, the electric light and power companies have maintained their percentage of total kilowatt-hours generated during this 27-year period. This has been accomplished by the continued shift of the power requirements of industrial plants from their own generation to purchased electric energy. In 1952, the latest year for which a figure is available, industrial plants purchased over 75% of their requirements of electricity as compared with 65% in 1929 and this trend should continue.

A breakdown of electric revenues by classes of service shows:

	Per Cent of Revenues 1927	1953 (Est.)
*Residential	32.4%	42.1%
Commercial	29.0	25.7
Industrial	30.4	27.8
All other	8.2	4.4
Total	100.0%	100.0%

*Includes rural.

This table indicates that the most stable source of revenue, namely residential, has been increasing over the years and the outlook in this classification appears unlimited with the present and ever-growing new applications of electricity-consuming appliances.

Even during recession and depression, residential revenues continued to increase from year to year with but two exceptions, namely, in 1932 and 1933, but even in these years revenues received from residential customers were materially higher than in 1929. This stabilizing influence is readily apparent as total electric revenues do not decline in such periods as much as revenues from industrial sales.

As would be expected, during periods of decline in business, the industrial sales in kilowatt-hours fall off. Total industrial man-hours drop off during depressed business conditions. However, I wish particularly to call your attention to the fact that the kilowatt-hours consumed by manufacturing industries per man-hour increase during such times. This would seem to substantiate the feeling that the completely electrified manufacturing plants are the ones that continue to operate in times of business declines. Thus our industry is fortunate in that industrial kilowatt-hours do not experience a decrease proportionate to the decline in manufacturing operations.

As I have pointed out, the revenues of the electric light and power companies have had a continuing long-term growth, and I can see no end to this growth or, shall I say, saturation for electric service. Certainly the price of electric service has been reasonable and has not followed the cost of living increases. On the contrary the price of residential electric service per kilowatt-hour has actually decreased from year to year.

True the average annual bill for residential electric service has increased and will continue to increase with the expanding uses for electricity in the home and consequent increase in kilowatt-hours consumed per home. In 1927 the expenditure for residential electricity was 0.73% of the disposable personal income, rising to a high of 1.48% in 1933, then decreasing to a low of 0.80% in 1944 and since that time gradually increasing to the present 1.15%.

B. T. U. Heat Rate

Over the years remarkable progress has been achieved in technological improvements in the art of the industry. The average heat rate for the industry expressed in btu.'s per net kilowatt-hour generated has been reduced from 22,599 in 1927 to 12,950 in 1953. There still remains considerable opportunity for further improvement as the heat rate of one of the large units scheduled for shipment this year is expected to be better than 8,900 btu.'s per kilowatt-hour and manufacturers have on the drafting board units expected to have a heat rate of approximately 8,400 btu.'s per kwh.

Load Factor

Load factor, which is a ratio based upon the use (kilowatt-hours) and demand (kilowatts), has improved over the years. This means that the electric utility industry is operating its generating and other facilities at a higher percentage of its possible 24-hour output. Other factors being equal, the higher the load factor the less the cost of producing a kilowatt-hour. During the second World War the load factor reached a peak of 64.2%. For the year 1953 it was 62.1%.

Taxes

Taxes have taken an increasingly large share of the revenues, increasing from 9.4c per dollar of revenue in 1927 to 22.4c per dollar in 1953. During 1953 the electric light and power companies were subject to so-called excess profits taxes. The latter tax expired Dec. 31, 1953 and it appears as though there may be some relief in the normal and surtax rates in the not too distant future. Any relief in taxes on income, of course, will be reflected in full in net income.

Rate Increases

Past growth, together with technological improvements, however, has not been able to offset the increase per kilowatt-hour in operating expenses and taxes, so that it has been necessary in the last few years to ask for rate increases. A total of 401 applications for rate increases were made by the electric companies from 1946 through 1953. At the year-end, of this number, 362 applications were granted, 16 were pending action, 11 were withdrawn, and 12 were denied. The 1953 record alone shows 60 actions: 43 applications granted, 11 pending, and six withdrawn or denied. There has been one favorable action recorded so far in 1954.

The preceding record is tangible evidence that the regulatory bodies are recognizing the inroads of inflation and have granted rate increases to insure the financial strength necessary for adequate electric service to the nation.

In the electric utility field regulatory lag is becoming less and less of a factor for at the end of 1953, out of the above mentioned total of 401 rate applications, there were only 16 pending cases of which 11 orginated in 1953.

The situation is summarized by the following from the 1953 Report of the Committee on Rates of Public Utilities of the National Association of Railroad and Utilities Commissioners: "Significant changes in the past year in rate-making policy of the courts and regulatory commissions have largely been in the direction of taking greater cognizance of the effects of inflation and of adapting means to meet the situation. Changes have been made in regard to rate base determination, depreciation provisions and rate of return."

Ratios

The electric light and power companies as a whole today are in a strong position financially. Let us look at what happened to the Class A and B electric utilities during the period of 1937 through 1952. I selected 1937 as the figures are not available prior to that time. Further, 1953 figures are not yet available. The dollar ratio of plant to operating revenues was 3.93 in 1952 as compared with 5.47 in 1937. The times fixed charges (after taxes) earned was 3.97 in 1952 as compared with 2.54 in 1937. The reserve for depreciation as a percentage of plant was 19.8 in 1952 as compared with 10.4 in 1937. The capitalization ratios at the end of 1952 were: bonds 48.7, preferred stock 13, and common stock and surplus 38.3. The per cent paid out of net earnings for common stock dividends in 1952 was 72.8, leaving a good cushion if adverse conditions should come about.

Construction Expenditures

However, managements must be ever vigilant to maintain this strength so necessary to permit the companies to finance at reasonable costs of money the new construction needed to provide for the increasing requirements of existing and new customers. Total investment in electric light and power companies has increased from $12.5 billion in 1945 to about $25.5 billion today. According to the Survey of Current Business, U. S. Dept. of Commerce, expenditures for new plant and equipment for all industries in the country since the war have amounted to only slightly over $150 billion, which indicates that the electric light and power companies' expansion accounts for 1/12th of the total. For 1953, electric and gas utility companies as a group accounted for approximately $4 billion 484 million, or 16% of the total of approximately $27 billion 827 million for all private industry. The figure for 1954 is placed at about $3 billion.

Securities

Buyers of securities have a choice among the wide variety of industries in which to invest and these industries are in competition with one another for the investor's dollar. In 1953 electric light and power companies did substantial financing—$537 million of common stock, $223 million of preferred stock and $1 billion 193 million of long-term debt were issued and arrangements were made for an additional $407 million of long-term debt financing.

Now let's take a look at the relative position of the electric light and power companies with all corporations and with all manufacturing corporations.

A comparison of per cent cash dividends paid on book value of capital stock and surplus shows that electric utility corporations as a group have been more stable than either of the other two groups and the percentage dividend has, in general, been higher.

Further, take the rate of return on net worth—that is the stockholder's equity after the deduction of debts — for the electric utility corporations and the other two groups: Here again the stability of the electric utility industry is clearly demonstrated.

In closing, the electric light and power companies have a good record and I believe that the outlook for their securities is attractive.

*An address by Mr. Sammis at a meeting of the New York Society of Security Analysts, New York City, Feb. 8, 1954.

R. C. Mees Joins Staff Of White, Weld & Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Reinhold C. Mees has become associated with White, Weld & Co., Rand Tower. Mr. Mees was formerly a partner in Paine, Webber, Jackson & Curtis with which he had been associated in Minneapolis since 1919.

Is Selling a Key to Sustained Prosperity?

By JOHN E. JEUCK*
Dean, School of Business, University of Chicago

Dean Jeuck, in his discussion of the role of salesmanship and advertising in the American economy, finds salesmanship closely related to American technology and product innovation. Says the character of our production determines nature of our selling efforts, and there is interaction between sales methods and character of production. Answering question, "Will advertising sustain the boom?" Dean Jeuck points out advertising will have to take up a slack in consumer expenditure of $7 billion. Whether this can be accomplished depends on consumer attitudes, and he advises increased sales efforts to maintain a boom only on basis of peculiar market situations. Calls for "not more selling, but more effective selling pressure"

The topic that I find myself scheduled to talk about is one that is as intriguing as it is treacherous. It is a topic, for example, where one finds the more than curious identification of interest between "Pravda" and "Fortune" magazine.

John E. Jeuck

Earlier in 1953, "Fortune" magazine did a useful and stimulating series on selling in the U. S. economy. This series was subsequently published as a book entitled, "Why Do People Buy?"

"Fortune" observed:

"The U. S. selling apparatus is the greatest tribute to the customer the world has ever known. . . . To close with him, they maintain battalions of salesmen to move the products from factory to distributor and wholesaler, and on to the retail store, where, like an inverted pyramid, the whole great machine comes to focus—at the last, two feet of counter between the customer and the sale.

"And here, right now, the whole apparatus grinds to a halt.

"The average sales person is not only doing a poor selling job, in many cases he is actually discouraging customers from buying. Furthermore, his performance has been growing worse."

A month or so ago another colony of the Lucian empire—"Time" magazine—reported on the recent about face in Soviet economic policy, which puts a new emphasis on the output of consumer goods and promises at least that the comrades can look forward to a wider choice of consumer items than they have enjoyed in the past.

In connection with this report on Malenkov policy, Deputy Premier Mikoyan is said to be worried about their, I quote, "inattentive and rude" attitudes on the part of Soviet salesmen to the consumer. "What is one to think," he says, "if in a Stalingrad department store a woman shop assistant answers the question of a woman customer, 'Where can one buy cheap cotton stuff?' in this way: 'I am not an inquiry office, Citizen.'" Like "Fortune's" visitors to retail stores, Mikoyan is worried about what he refers to as the "paralyzing inefficiency of Soviet salesmen."

With respect to retail selling there is apparently common ground between official Soviet opinion and the "Fortune" office.

The entire general tenor of the "Fortune" series is one of disappointment and mild depression about the state of selling effort in America, as is illustrated in the following quotation:

"The word dynamo is one of selling's standard cliches and rare is the sales meeting in which the word does not reverberate.

"But how much does business really believe this? 'Fortune's' research indicates that when it actually gets down to cases an uncomfortably large proportion of businessmen do not look at selling as an integral function of management, they view selling as an after-the-fact activity in which the principal job is to keep costs down."

On this score, however, "Fortune" and "Pravda" disagree. "Pravda" suggests that the Soviets are much impressed with American sales methods, and that this is one aspect of Wall Street capitalism which they would do well to emulate. Indeed, Deputy Premier Mikoyan is said to have urged the comrades to study and learn from capitalists sales methods, and he bespeaks admiration for our advertising. In contrast, he refers to Soviet advertising as "dull, stereotyped, and inflexible." Certainly we cannot disagree with the example he cited, which was "Drink the beer of the breweries of Glavpivo." I suspect that any copy test would lead an agency to work harder on Glavpivo's slogan. But it is not so clear that Mikoyan's evaluation of copy is very good since at the same time that he deplored the Glavpivo commercial, he admired what he refers to as the "precise and memorable" slogan of our great poet, Maykorski, who wrote for advertising: "There is no place for doubt in thought. G.U.M. fills all a woman's needs." This, I submit, is not only a turgid bit of poetry — but an exaggeration of department store services that puts even our old-time patent medicine commercials to shame.

After thinking about the issue of selling expenditures and national output, I suggest that the answer to the question: Is selling effort the key to prosperity?—is "Maybe—but probably not."

Much of the difference in attitude among various authorities toward selling expenditures—usually symbolized by advertising—is a result of looking at the relationships between advertising and national output in different perspectives.

We shall be concerned here with two perspectives on selling and national output: first, with the long run problem; and second, with the cyclical problem.

Concerning the first issue, the emphasis is on movement from one level of economic activity to another over a long period of time, and the essence of the problem involves changes in the character of consumer wants on the one hand and productive resources on the other.

Perhaps the most common view of the long-term significance of selling effort is that the continuing pressure of aggressive sales effort augments certain other characteristics of our community to keep people perennially dissatisfied and in search of something better. Certain of our industries, e.g., automobiles, radio and television, and home appliances, depend heavily upon accelerating the march of obsolescence.

This continuing pressure attacks the degree of satisfaction with life as it is in favor of new means of want satisfaction. It is this pressure that assails traditional standards. Ultimately, wave after wave of selling pressure, by contributing to progressive dissatisfaction and by delineating the "good life" ahead leads, it is believed, to vigorous effort and increased productivity to achieve the means to reach the new standard of living and perhaps to an increased propensity to consume.

The fundamental requirement for the restlessness in consumption patterns must lie, of course, in the relatively weak character of traditional standards. Our low valuation of tradition makes us susceptible to the use of "new" products. We have a mobility in consumption which parallels our historical mobility of social structure.

There is a widespread belief, which I share, in the significance of selling effort in economic development, but the evidence is essentially impressionistic.

Professor Borden's monumental "The Economic Effects of Advertising" is the outstanding published work in the field. It has certainly illuminated our understanding of the advertising process, its promise, and its limitations. But that work is largely oriented to particular situations, and was not intended to be broadly historical.

However, impressionistic the evidence, one must be impressed with the difference between American business behavior and that of their foreign counterparts. Certainly not all of the difference in American business methods and American consumption patterns is to be explained solely by the nature of our resources and the size of our trading area.

It is interesting to note, too, the curious fact that most critics of American selling tactics believe profoundly in their effectiveness. Apart from those whose complaints have aesthetic foundations, the revulsion of other critics rests on an assumption of efficiency—an efficiency which is hard to measure, and sometimes in doubt among people who give most time and attention to the study of selling and who are generally sympathetic to the marketing process.

Concerning the discussion of advertising and prosperity in terms of historical perspective, Professor Galbraith's book, "American Capitalism," has some interesting observations. Galbraith, having viewed the American economy and finding that it had not come to the distressing ends which would be inferred from certain theoretical constants of neo-classical economics, has attempted to explain the sources of our tremendous production. In doing so, he has a chapter I would commend to your reading entitled, "The Unseemly Economics of Opulence." Unlike most economists— or people for that matter — Professor Galbraith has a happy gift for style as well as a capacity for insightful analysis. With respect to selling expenditures, he says: ". . . Much of the discussion of the vast activity of selling and advertising in the American economy—that concerns economics rather than taste — has missed the point. Economists and a good many others have pointed to the energies devoted to it with shock or alarm. Those who make their living by it have replied, both in anger and in sorrow, that it isn't wasteful at all. Some bold spirits, with a knack for generalization, have said that all critics

Continued on page 38

*An address by Dean Jeuck, before the Junion Chamber of Commerce Luncheon, Chicago, Ill., Jan. 19, 1954.

THE MARKET . . . AND YOU

By WALLACE STREETE

From a technical viewpoint, the stock market accomplished little this week unless consolidating its gains within easy reach of the new high in 24 years is considered encouraging. However, there was no dearth of special interest in individual situations. And the fact that new highs consistently outpaced new lows by very wide margins was a hopeful sign. In short, if the rest of February—one of the traditionally "sick" months of the year—is as good, there'll be few complaints.

* * *

The RKO-Hughes Excitement

Right at the start the market had a feature without parallel in the last handful of years. An offer by Howard Hughes, major stockholder of RKO Pictures, to purchase the assets of the company at a figure that boils down to $6 a share for a stock selling half that level at the time started the fireworks. It took almost two and a half hours for the governors of the Stock Exchange to cope with the deluge of orders, and to verify personally with Mr. Hughes that the offer was valid. The stock finally opened on a 200,000-share block, one of the largest ever recorded and certainly the largest single transaction since the 1949 turnover of 350,000 shares of Commonwealth & Southern just before that company distributed its holdings to stockholders and quietly expired.

* * *

With next Monday set as one of the deadlines for starting to comply with the terms of the offer, there was lots of skepticism around about it all. For one, the company is a chronic money loser, leading to the question of why anyone would rate it at double the market appraisal. Secondly, the usual contrariness of stockholders cast doubt on whether the offer would be accepted; there are always some people around who figure if it is worth $6 to one holder, the true value might be more. They could be expected to hold out for a better price.

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Aircrafts' New Highs

Some of the high-priced issues took over the ball from there, the aircrafts prominent among them. Douglas Aircraft, particularly, broke out into new high territory with a rush that ran as much as four points in one session. For those who must have a reason, there was the tenuous line that the Air Force involvement in Indo-China assured high aircraft production. An even better explanation, which applied not only to Douglas but to all issues in the high-price-tag category, was a quickening of institutional demand which has been cautious so far this year since the manhandling the list took in December.

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Another of the week's favorites was the old stalwart, America Telephone. Admittedly with the help of arbitraging, this noramally placid issue was able on the first day when the debentures became convertible to add over a point, which is an extreme movement for this issue. It was enough to carry the issue to levels not seen in more than a year. The independent nature of Telephone recently, particularly since its better-than 1,250,000 stockholders is the largest such roster in the land, is earning the stock the reputation of being a junior stock market all its own, out of the sphere of influence of the general market in which it is supposed to function.

* * *

Featuring the weaker side were Standard Oil of Jersey and Consolidated Edison, both of which faltered a bit after good popularity recently. Jersey, incidentally, is a big favorite with the Street's largest house's customers who have joined the new Monthly Investment Plan. Their reaction was not considered alarming.

From the technical aspect, the continued reluctance of the rails to get going and confirm the new high posted by the industrials late last week continued to be one of the depressing facets of the market. Momentary demand in a couple of the issues not included in the averages, including Denver & Rio Grande, failed to spread through the barometer issues whose performance continued distinctly sluggish.

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American Woolen issues, and chiefly the preferreds, had a busy time swaying with the redemption hopes and the subsequent court actions that tied management's hands. Swings of a couple of points a day are getting routine, for the prior preferred in particularly.

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Motors Off

On the weak side were the motor issues, some service recommendations carrying

Nash to a new low despite its pending merger with Hudson Motors. A postponement of the dividend meeting, a logical step in view of the consolidation, nevertheless was greeted as ominous. And the meeting of Chrysler for dividend action this week was the subject of all manner of guessing with estimates covering a wide range. Chrysler fared poorly marketwise, except for some momentary swings to the side of strength as some optimist or other bobbed up. Usually, such outbursts were cut back rather quickly even before the end of that particular trading session.

* * *

Superior Oil and Coca Cola Soar

Oils continued to attract attention, in a surprise selection that more or less completely ignores the expected benefits of the excess profits tax demise. Shell and Midwest Oil made early appearances on the week's list of new highs. Superior Oil, highest priced of the petroleum shares, moves widely and its chore in one session was a gain of 30 points, a single day feat eclipsed only by the even higher-priced Coca Cola International which added 60 in one day.

* * *

Technicians Cautiously Optimistic

Chart followers took what consolation they could from the fact that volume tended to contract on weakness and expand on strength, and by the fact that more issues advanced than declined despite the heavy leavening of minus signs in the averages. In addition the weight of dividend payments was pronounced, such as General Motors, Allied Chemical, Goodyear, General Foods and Home Products having to contend with these automatic trims, plus a bit of selling by cautious holders once the current payment was achieved.

* * *

But majority opinion remains cautious over the immediate future course of the market. Without a strong pickup in the rails, the approach of tax time with its weight on the market is considered a blockade that will rule out enthusiastic action on a broad scale for a while longer. Then, again, since the big push for the market this year has been favorable tax consideration, which already has been discounted to a degree, the feeling is fairly general that the next move will await final Congressional action making the tax benefits a reality.

[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.]

Long-Term Business Future "Never Brighter"!

Charles E. Merrill, directing partner, and Winthrop H. Smith, managing partner of Merrill Lynch, Pierce, Fenner & Beane, in annual report of this nationwide banking and brokerage firm, lists among forces which will promote prosperity, the unprecedented population growth and the miracles of industrial research. Reveal financial results of firm's operations.

In presenting the annual report of Merrill Lynch, Pierce, Fenner & Beane, nationwide investment banking and brokerage house, to customers and the public, Charles

Charles E. Merrill Winthrop H. Smith

E. Merrill, directing partner, and Winthrop H. Smith, managing partner, struck a note of confidence and optimism regarding the long-term future of American business, the prospects of which, they said, were "never brighter."

Addressing customers, the partners stated:

"Today the cause of world freedom is almost completely dependent upon the strength and prosperity of the United States.

"If we falter—if we impede industrial expansion by excessive government control, freeze up the sources of equity capital by unwise taxation, or in any way weaken our economic system—we undermine the world's faith in democracy, and we play into the hands of totalitarian enemies.

"Fortunately, the Administration recognizes this—in its constant efforts to minimize bureaucracy and eliminate waste, in the bold steps it is taking toward a balanced budget, in reducing personal income taxes and abolishing the Excess Profits Tax, in freeing large segments of our economy from government control, in pledging to eliminate 'harassment and intimidation' from regulatory law, in creating a favorable climate in which business can operate.

"Despite the talk of 'recession,' American business — barring another all-out-war—has never had a brighter long-term future. The biggest population boom this country has ever known is just getting into full swing. By 1960—just six years away—we'll probably have 15 million more people in the U. S. Can you visualize what that growth is going to mean in terms of more houses, more food, more automobiles, more refrigerators, more of everything?

"Then look abroad. With the introduction of modern methods of agriculture and modern measures to improve public health in the depressed areas of Europe, Asia, and Latin America. those populations will soar. Imagine the mills and factories, great dams and power lines that must be constructed in South America, Africa, and the Near and Far East!

"Finally, when you stop to realize that atomic energy, guided missiles, jet aircraft, cloud seeding, antibiotics, cortisone, DDT, color television and many synthetic fibers were not known 15 years ago the miracles which industrial research will uncover in the next quarter century challenge the imagination. Each new discovery will inevitably result in further industrial growth and expansion.

"But this great growth potential at home and overseas will require billions of dollars of capital—and one of the most important jobs of our firm and other firms like ours will be to raise these billions somehow.

"Unless certain existing discriminations against investors are removed from our tax laws the combined efforts and resources of the financial community may be insufficient to meet such responsibilities. For instance the prejudicial taxation of capital gains and the double taxation of corporate dividends seriously discourage the investment of capital.

"No other country in the world imposes such restrictive tax penalties on capital investments. Great Britain even when the Labor Government was in power did not tax capital gains; and it has always allowed shareholders a credit on dividends for taxes paid by their corporations. Our neighbor, Canada, similarly and wisely, has no such tax impediments on capital, and the boom it is enjoying can be credited at least in part to this policy.

"By contrast, in the United States a man with surplus funds to invest has little incentive to risk his capital on the development of new enterprises. If his investment pays off, he must bear the burden of a heavy tax on his gain; but, if it fails, he loses almost completely, for without offsetting capital gains, he can deduct only $1,000 of such loss annually over a six-year period.

"Nor is the capital gains tax just a 'rich man's tax,' as it is widely and mistakenly thought to be. It hits everyone who has the enterprise and faith to risk his money on new ventures. Treasury Department statistics indicate that approximately 60% of all capital gains are realized by people with incomes under $25,000 and more than 25% by people with incomes below $5,000.

"In 1953, corporations raised about $8.8 billion through new financing. Of this amount, only $1.8 billion was raised by the sale of equity securities or stocks compared with $7.0 billion raised by debt financing or bonds.

"This trend toward debt financing is not in the country's best interests. For if we are to safeguard our economy and keep it strong, we must make sure that our tax system encourages corporations to finance their expansion programs by *selling common stocks* as well as bonds *to the investing public.*

"Because of the high cost of national security, it may not, of course, be possible at this time to abolish the capital gains tax completely. But in any case, the present high rate should be substantially reduced. A reduction in the rate would undoubtedly result in an increased volume of taxable transactions. And there is good reason to believe that this would actually increase, rather than reduce, the total annual tax revenue from capital gains payments.

"What's more, there is no excuse for distinguishing between long-term and short-term capital gains on the basis of whether the asset was held for more than six months or less than six months. An arbitrary holding period exerts an unhealthy influence on our capital markets.

"According to Treasury Department statistics for the years 1945 through 1949 (the latest year for which figures are available) less than 4% of the total capital gains realized represented short-term capital gains!

"An investor with a paper profit on a security, generally speaking, has no choice but to wait for the end of the six months holding period before selling, even though he may consider the security overpriced. To sell earlier would mean he would have to pay two or three times as much in taxes. This not only has an artificial effect upon the market price for the security, but it is grossly unfair to those investors whose paper profits diminish while they wait for the holding period to run out. Treasury statistics indicate that approximately one-third of all short-term gains are realized by individuals with less than $5,000 net income and as much as three-quarters are realized by individuals with net income of less than $25,000.

"Any rule that imposes such an arbitrary penalty and requires investors to act against their best investment judgment should have no place in our tax laws.

"As for double taxation of dividends, Congress, at the very beginning of our income tax law, recognized the inequity of taxing dividends twice — once when earned by the corporation and again when received by the shareholder. Although we've had Federal Income Taxes since 1913, dividends received by an individual were exempt from the normal tax until 1936. If we are to make equity investments attractive and encourage a wider ownership of our corporations, dividends must be given relief from this confiscatory double tax burden. Either they should be exempted when received by the shareholders; or as in England and Canada, the shareholders should be given a tax credit for the taxes paid by their corporations.

"We do not believe that any fair-minded person can ignore the need for these tax reforms at this time or discount them as special pleading. Both are necessary to stimulate the flow of new capital into industry. And an expanding industry inevitably needs new capital.

"In the tough years ahead, we might well take the words of President Eisenhower in his speech on April 17, 1953 as a credo for American capitalism. 'We are ready,' he said, 'to dedicate our strength to serving the needs rather than the fears of the world.' Let's never forget that economic strength is as much a requirement for survival as military power. Today that strength is the world's main safeguard for freedom."

Earnings in 1953

Profits of Merrill Lynch, Pierce, Fenner & Beane, in 1953 totaled $6,657,817 after partners' salaries and interest on capital of 6%. This compares with $6,329,405 earned in 1952.

After deducting estimated Federal income taxes of $4,400,000 and charitable contributions of $178,321, there was a balance of $2,079,496 available to partners who participated in the profits as compared with $1,929,312 in 1952.

Adopts Monthly Investment Plan

Asked to comment on the Monthly Investment Plan for buying common stocks listed on the New York Stock Exchange, Mr. Smith told a press conference in the Down Town Association, 60 Pine St., on Feb. 9 that through the preceding Friday Merrill Lynch had sold 1,295 plans, representing a dollar volume of $109,000,

Of the firm's 113 offices, only four, all in the South, had not signed up an investor under the Monthly Investment Plan, Mr. Smith said. The plan took effect on the New York Stock Exchange on Jan. 25. Up to and including Feb. 5, about 3,800 plans had been taken out with all Big Board member firms, including the 1,295 plans sold by Merrill Lynch offices.

"I think the M. I. P. volume has been pretty good in view of the fact that few member firms have yet done much to promote the plan," Mr. Smith pointed out. He estimated that 90% of those opening M. I. P. accounts with Merrill Lynch are newcomers in the market.

SUN OF CANADA POLICYHOLDER DIVIDENDS UP

$24\frac{1}{2}$ million to be paid in '54; life insurance cost again reduced

A higher dividend scale which for the fifth consecutive year will again reduce the cost of life insurance for the holders of two million Sun Life of Canada policies, is announced by George W. Bourke, President, in his Annual Review of the Company's business for 1953. Dividends to policyholders during 1954 will amount to $24½ million, 11% more than in 1953 and an increase of more than 50% over the last five years. Most policyholders carrying participating plans with the Company will benefit by this increase, with the largest payments being distributed in respect of policies longest in force.

In his survey of the figures for the year, Mr. Bourke comments on the manner in which life insurance meets the responsibilities of its purpose. The Sun Life of Canada, he said, has paid $2,729,000,000 in benefits since the first policy was issued in 1871, and during 1953 no less than half a million dollars was paid out by the Company each working day. Total amount paid during the twelve-month period was $125,057,000. New life insurance issued during the year amounted to $576,946,000, an increase of $31 million over 1952. This rising volume of business was spread over world-wide territory in the nearly 30 countries covered by Sun Life service. New Group insurance included in the above figure amounts to $170 million, an increase of more than $5 million over the previous year.

New annuity contracts during the year included individual annuities and group pensions guaranteeing payments of more than $4 million per annum. Total annuity payments to be made by the Company either immediately or in the future, through group pension plans and individual contracts, increased to $126 million per annum. Total Sun Life insurance in force at the end of 1953 amounted to $5,678,000,000 of which 79% is in the United States and Canada. Group insurance included in this figure is $1,751,000,000, an increase of 17%. Total assets of the Company, carefully invested and well diversified, are made up of: Bonds — Government, State and Municipal 28.7%; Bonds — Public Utility, Industrial, etc., 41.6%; Preferred and Common Stocks 6.0%; Mortgages 14.4%; Cash and Miscellaneous, 9.3%. The Sun Life has 46% of its assets invested in the United States.

A copy of Sun Life's complete 1953 Annual Report, including the President's review of the year, is being sent to all policyholders or may be obtained from any of the 100 branch offices of the Company throughout North America.

Outlook for Airline Industry

By RALPH S. DAMON*
President, Trans World Airlines

Expressing the belief that current year will continue to show growth in airline company revenues, prominent airline executive reveals rapid increase of air transportation compared with other means of transportation. Says he looks for an 80% increase in air passenger revenues within three to five years, derived from mass as contrasted with class service. Reveals results of operations of TWA, and outlines plans for expansion and more economical operations.

In my view, the business setting is not one for a serious decline but more for a rolling readjustment occasioned by the peaking off of inflationary expenditures on rearmament in the Western World. As you know, TWA's operations are world-wide, and our foreign stations afford a constant flow of intelligence reports on the international as well as the business scene.

Ralph S. Damon

I believe that while the airline industry is affected by marked changes in the level of business activity, its own dynamism is such that it is probable the current year will be one of continued growth in revenues. The prospect for higher net earnings for this year than last is not so clear.

The soundest way to approach a problem dealing with future probabilities is to review the past. In the light of this, it seems that the industry is not yet at the point of meeting potential demand to the extent that is true of the older modes of transportation.

Transportation Facts

Let me review a few transportation facts—all in billions of passenger miles:

	1940	1952	% Incr.
1st class rail	7.3	9.5	30
Rail coach	12.5	19.7	58
Bus	11.6	20.7	78
Air	1.0	12.1	1100
Private auto	245.6	390.7	59

You can readily see that the private automobile figures, while perhaps not as accurate as those for organized transport, far outweigh all others combined in total travel.

The question may well be asked —why should this rapid rate of air travel growth continue?

In my opinion, statistics may well move over at this point for a short digression into philosophy. Many of the older men in this audience will recall that grand old editorialist of the "Wall Street Journal," Thomas Woodlock, and his constant quotations from the writings of the Spanish scholar, Ortega y Gasset, in a volume entitled "The Revolt of the Masses."

The burden of Ortega's argument is, that within the past 100 years a new phenomenon has occurred in the world as a result of the industrial revolution and its collateral advances in the fields of science and medicine and techniques of a scientific nature. To the direct point, he shows that from the time European history begins in the Sixth Century up to the year 1800, Europe did not succeed in reaching a total population greater than about 180 million inhabitants. Since that time, "Western World" population has had an explosive growth up to the present order of about 900 million people.

This period commences the era of the "mass man" who, in the Western World at least, lives today with greater material comfort than was known to any individual prior to the 19th Century.

Having shown that the development of scientific techniques substantially solved for the mass man the problem of creature welfare, Ortega evolves a fascinating argument with which I find it hard to disagree. *Now,* he asserts, the individual with primary wants substantially satisfied looks forward to the unattainable—the prolonging of the life span. And since medicine has made little headway in extending the rule of threescore years and ten, he turns to means of compressing more experience into this fixed interval.

At this point, I will part from Senor Ortega only to show that his reasoning is borne out by present fact. Witness the growth in representative sectors of our economy which serve to provide a richer experience such as the fields of television, radio, books and periodicals, tourism, passenger car ownership *and* air transportation. These phases of modern life are over and above considerations of primary subsistence and shelter and stem out of our "high standard of living economy" where some 40% of consumption expenditures are optional in character.

If we grant that travel in its broadest sense is experience, and we know that man is eternally curious about what is over the next hill, then we arrive at two limiting conditions to the carrying out of this desire—money and time.

Until 1950 the airline business could be considered as catering primarily to a class market, comparing in cost to first-class rail travel. During 1949 the airline industry wet its feet in the mass market through the introduction of air tourist schedules—a service which has met such demand that it now accounts for 30% of all domestic passenger mileage (and an even greater percentage of transatlantic mileage).

Demand in Utilitarian Travel

In the growth of this new market, which is additional to a persistent demand in utilitarian travel, it is proven for my part that two things have occurred:

First, since air tourist travel is competitive in price with buses and rail coach on intermediate and long hauls, we are diverting some of this previously landlocked business. If it be doubted that this can be done in substantial degree, I would ask: Isn't there a room in *your* house papered with inter-urban rail bonds?

Secondly, and far more important, by lowering the fare structure, the industry has broadened the mass man's horizon so that the bulk of air tourist business represents not that which is diverted, but is induced by narrowing distance in point of time—or, to follow Ortega, the industry is pursuing a basically sound approach in providing man within his purse, a means of more living within a given time span.

I expect that within three to five years the industry will show 80% of its passenger revenues as derived from mass, as contrasted with class service, and by the end of this decade the total dollar revenues will be more than doubled. Before that time, what we now call air tourist service will even change its name and become standard class with the present first-class category labeled luxury service.

So much for the demand side. Now as to the earnings prospect for the industry, and here I will restrict detailed comments at first to the domestic operations alone. During the 12 months ended Sept. 30, 1953, gross revenues were $921,000,000 upon which an operating profit of $101,000,000, or 11%, was shown. This was accomplished with an average revenue per ton-mile of 56¢, a payload factor of 57% and a cost per available ton-mile flown of 28¢. For 1954, the average revenue per ton-mile will decrease due to the percentage growth of air tourist traffic.

The airline industry has on the whole performed a good job in reducing available ton-mile costs against the trend of rising labor, material and capital costs, and little more can probably be wrung out of unit costs. Finally, the order book of the airplane manufacturers indicates that domestic airlines will—between September, 1953 and Dec. 31, 1954—place 93 four-engine, and 48 two-engine planes on the line, an increase of slightly over 20% in the industry ton-mile capacity. Even my optimistic views do not envision quite such an increase in volume of revenue business offered in such a short time, so I suspect that the industry load factor and operating margin will decline temporarily.

My guess is 10% increase in passenger miles, 7% in revenue, yielding a 3% decrease in average revenue per ton mile; expense per available ton-mile approximately the same, and a payload factor of about 55%. These figures all add up to nearly the same operating income as during 1953, for an increased gross business. An unique element of strength, even though the operating margin is by no means outstanding, is that non-cash charges to expense will be about another $100,000,000 — a most important cushion should business be less than I expect to see.

International Side of the Business

The international side of the business, which represents about $300,000,000 volume, I will cover briefly by saying I believe revenues will increase equally in line with domestic, but that there will be hardly more than a break-even shown on net results in the aggregate, unless the Civil Aeronautics Board takes action to establish a more logical mail rate structure somewhat approaching that of the Universal Postal Union which is paid by the U. S. Post Office Department to foreign flag air carriers. I believe that there is now more hope than for a number of years past that the CAB will apply itself to the numerous international mail rate cases before it, and arrive at proper and statesmanlike decisions necessary to maintain and foster adequate U. S. flag service.

So, except for a temporary case of equipment indigestion and vitamin deficiency in international mail pay, we in this industry are going to rock a very lusty baby during 1954.

Now to the TWA side of the picture. Again, I will preface my remarks by observing that "tomorrow is the result of the past" —1954 as also 1953 represents to me the gauge of accomplishment resulting from a plan inaugurated five years ago. When I accepted the Presidency of TWA, the decision had not been an easy one to make. From the positive view several points stood out:

(1) TWA was a ranking airline —a close third to the second largest in the industry.

(2) Its routes were second to none—in my opinion the finest transcontinental route structure complemented by an international route with substantial growth possibilities.

(3) Namewise it possessed an identity in the public mind over a long period of years as an airline consistently in the forefront of technical progress.

(4) There was a hard core of experienced divisional heads and supervisors eager for executive leadership.

Now to the negative side:

(1) The company had been operating under a committee form of executive direction for the greater part of a year.

(2) The company's financial structure was weak, by any standard of appraisal.

(3) The company's far-flung operation was being conducted with an inadequate quantity of flight equipment and ground facilities, while the debt situation both in aggregate total and in rapidity of maturity was such as to hamper the possibility of proper financing.

(4) The company's unit costs were the highest of the major carriers, and as a result, the previous year's earnings indicated at the time a net income deficit of some $5,000,000 on gross revenues of $99,000,000.

(5) Finally, we appeared then to be just entering a period of decline in business activity.

Certain it is that the situation allowed of no timidity.

TWA Long Range Plan

The situation dictated something which would have to be a long range plan, certainly debatable as to the success of its outcome and highly relevant to the topic of this paper, "TWA's Outlook for 1954."

First in order of importance was the provision of tools—as to this, between Jan. 1, 1949, and the beginning of 1954, TWA has made capital expenditures of $105,000,000 which can be expressed concretely as the addition of 46 Constellations and 52 Martin planes, also major new ground facilities in Chicago, Los Angeles, New York and St. Louis. During this period, meanwhile, the obsolete fleet of DC-3's and Boeing Stratoliners was disposed of—at a profit.

Second, only slightly less in importance, the elevation of the sales organization to its proper status, centering the efforts of the whole organization to aiding the promotion of sales as the most important preoccupation — in schedule making, in service to the passenger, in the expansion of sales outlets, and in the inauguration of an advertising program that would properly identify TWA as *the* air carrier in its service area from San Francisco and Los Angeles to New York and overseas.

During the past five years, TWA has added 40 new sales offices making a total of 217 today and 1,115 new sales agency outlets to a total of 4,859 today. Expenditures on advertising are now, and for sometime have been, running at double the dollar amount of 1948—using amply the new medium of television.

As to the results from this accent on selling and service we have been industry leaders in the development of air tourist traffic to the point that during 1953 it comprised 46% of our passenger mileage. Meanwhile, gross revenues have increased from $99,000,000 in 1948 to $188,000,000 during 1953.

Third, it seemed no less important to capitalize upon a spirit which happily pervades our industry that air transportation is not just a way of making a living, but a way of living.

This was a problem of several parts. First, the provision of an employee pension plan hitherto lacking. Our studies indicate that the one which was placed in force in 1950 compares favorably with the industry and is implemented by current company contributions alone of more than $2,500,000 annually.

Secondly, there was indicated the need for the fostering of management clubs organized and run entirely by the supervisory employee membership. Within this framework one of the most important contributions to management understanding is the requirement that all officers of the company, not excluding myself, must attend these meetings whenever possible and explain company programs and present themselves for questioning.

At the present time, three of these clubs have been organized at our primary centers, which represent 70% of U. S. management personnel. I point to this percentage since these forums are planned to, and do, insure that top management's views are made known to supervision and through them to the rank and file in the best possible manner.

Thirdly, budget distributions are so pointed up by location and activity that personnel are aware that merit is recognized and—rewarded.

As a fourth major point in the program, a continued war had to be waged on operating costs not affecting safety on all fronts to complement the increased activity and expenditure on the development of sales.

As to the results on this point, I am gratified, but—may I say—never happy. In terms of work performed, I give the beginning and ending costs per available ton mile flown:

	Domestically	Internationally
1948	$0.32	$0.58
1953	0.27	0.48
Decrease	16%	17%

During this period, the average annual compensation per employee has increased 28%, while the average price of the materials and supplies which we purchase has increased about 19%.

Finally, the refurbishment of the operation had to be accomplished with the strengthening of the company's financial structure if all the other plans were not to founder with failure to achieve the ends we had in mind. As to success in this direction, headway has been made.

Again, a few figures—On Dec. 31, 1948, TWA had to the round million:

Cash & Special Funds	$11,000,000
Bank & Ins. Co. Debt	56,000,000
Net Worth was	*8,000,000

*$4.20 per share of stock then outstanding.

On Nov. 30, 1953, the latest figures which I care to discuss, before my directors have seen them, are:

Cash & Special Funds	$33,000,000
Bank & Ins. Co. Debt	43,000,000
Net Worth	*57,000,000

*$17 per share of stock outstanding today.

To put the record in financial terms in the smallest possible compass, I will call upon a method of presentation which you gentlemen are fond of—a summarized "Where Got, Where Gone" statement for the 4-year and 11-month period to Nov. 30, 1953:

	Millions
We had net earnings after taxes of	$32
We had noncash charges to expense of	75
We converted working capital items to the extent of	18
And, we sold capital stock in the amount of	15
With these funds, in total	$140
We purchased flight and ground equipment (with which to earn money) totaling	105
We increased cash & special funds by	22
And, we reduced debt by	13

As you will see by the chart, we reinvested our cash earnings in profit yielding property. We sold stock in an amount sufficient to reduce our debt to a reasonable total, and we converted working

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

capital items plus a portion of stock receipts into liquid funds.

With this background, we can come to grips with 1954. Traffic-wise, our studies provide for a substantial decline in military traffic—close to one-third of a total which has amounted to $7 million annually during the period of active hostilities in Korea.

Standard class passenger traffic we are estimating will decrease 14% as against 1953. We foresee a further major growth in tourist traffic, say in the order of a 45% gain as against 1953. In fact, the year will see tourist traffic close to 54% of total passenger revenues and more than 50% of total passenger mileage.

Domestically, we expect an 8% increase in the aggregate of other traffic—mail, express and freight—which items account for about 10% of that division's gross revenues.

As a particular consideration internationally, we have a substantial sum hanging in balance in back and current mail pay account. Until June, 1951, we were paid for U. S. mail at a rate equivalent to about $3.00 per ton mile. Since that time our effective rate has been varied between 70 cents and 85 cents per ton mile. In round dollar terms this has meant a reduction from $9 million to a current $3 million per year which is calculated by the Civil Aeronautics Board to produce only breakeven results for the International division, which is close to the present fact. This break-even rate is without allowing for any return on capital investment. We have argued before the Civil Aeronautics Board that we were properly entitled to a permanent mail rate producing in the order of $10 million. I can hardly have an objective view on the matter, but a rate allowing an investment return of 10% which has been their historical allowance in international cases, would produce about this figure. We expect a favorable decision on this matter by mid-year.

A Summing Up

However, without any regard to this mail pay settlement, let us sum up. In the TWA system Domestic and International, we are expecting the revenue side in 1954 to increase 10% over 1953, with a 13% increase in passenger miles carried at a slightly lower rate due to an increase in the proportion of tourist traffic. Coastwise, as I have indicated, for the industry we have been wringing the towel pretty hard, and I believe the chief economies are to be found in the reduction of overhead in relation to direct costs. This year we intend to operate 8% more plane miles out of our 1953 fleet on which direct costs will be about the same. Overhead we hope to hold close to the 1953 dollar total. Two examples of how we expect to accomplish this:

(1) We have recently consolidated our New York executive offices in one building in New York City—which will make for closer contact and control.

(2) Interest on our debt will accrue against an average total of only $35 million compared with an average total of $51 million in 1953.

We are also in the final planning stage in conjunction with the City of Kansas City, Mo., for an adequate system overhaul base to be located at their new industrial airport, representing an expenditure in the neighborhood of $17 million by them, to be occupied under lease by us, and to be completed during 1955. With the use of more straight line production methods possible in this plant, a major area will be opened up for cost reduction as contrasted with our present inadequate facility at Kansas City, Kansas. This will represent the culmination of much of our ground facility planning dating back to 1949.

About the end of this year we will be carrying out familiarization flights on the first of the 20 turbo compound Super Constellations, which we have on order, that are to be placed in scheduled service during the first half of 1955. Meanwhile, by the year-end we will be more than half way through the conversion of 13 other Constellations to air tourist configuration.

Let's end it this way: 1953 was a year of reasonable results—1954 looks good, and the TWA management team—with current year plans pretty well fixed—is busy on the forward planning for 1955.

Dillon, Read Group Offers New Parkway Issue

$40 million Southern State Parkway Revenue bonds of Jones Beach State Parkway Authority, comprising $20 million serials and $20 million sinking fund obligations, placed on market.

Dillon, Read & Co. Inc., New York City, heads an investment banking group which has released the offering for sale of $40,000,000 Southern State Parkway revenue bonds of Jones Beach State Parkway Authority. The offering consists of $20,000,000 serial bonds maturing on each Nov. 1 from 1958 to 1978, which are priced to yield from 1.60% to 2.85% to maturity, and $20,000,000 2⅞% sinking fund bonds maturing Nov. 1, 1988, which are priced at 98¾% to yield approximately 2.93% to maturity. The bonds were awarded at competitive sale on Feb. 9, at a net interest cost to the Authority of 2.867%.

The Authority is a public benefit corporation created by the New York State legislature. Its members, who are also commissioners of the Long Island State Park Commission, are Robert Moses, President, Herbert Bayard Swope and Clifford Jackson.

The proceeds from the sale of the bonds are to be used for parkway improvements on Long Island consisting principally of the reconstruction of the Southern State Parkway to a six lane modern divided highway for 13 miles from the New York City line to Wantagh Avenue, the widening of Meadowbrook State Parkway and Wantagh State Parkway and the construction of an extension of Meadowbrook State Parkway to Northern State Parkway, and also to repay a $15,000,000 temporary bank loan entered into in April, 1953, for the commencement of this construction program.

A 10 cent toll for passenger cars will be collected at a point on Southern State Parkway near the New York City line and the bond issue will be secured by these tolls. During 1953, 24,200,000 passenger cars passed this point and Madigan-Hyland, traffic engineers, estimate the toll traffic at 25,500,000 cars for 1955, increasing to 36,500,000 by 1969. The first four miles of the reconstructed Southern State Parkway are expected to be open to traffic by July 1, 1954, and the entire reconstruction of this parkway is expected to be completed by June 1, 1955.

The bonds are subject to redemption at any time on and after Nov. 1, 1958 either by operation of a sinking fund or at the election of the Authority. The serial bonds are redeemable only after or simultaneously with the retirement of all sinking fund bonds and then in inverse order of their maturities. Optional redemption prices range from 103½% for the three year period from Nov. 1, 1958 to Oct. 31, 1961 and thereafter at prices decreasing each three years to 100¼%. Sinking fund redemption prices scale from 102½% to 100¼%. Minimum sinking fund payments are provided to retire all of the sinking fund bonds by their maturity.

The bonds are tax exempt as to interest from Federal and New York State income taxes, and are legal investments under New York law for insurance companies, banks and trust companies, savings banks and trust funds, in the opinion of counsel.

The underwriters are:

Dillon, Dead & Co. Inc.
Blyth & Co., Inc.
Eastman, Dillon & Co.
Goldman, Sachs & Co.
Harriman Ripley & Co. Inc.
Kuhn, Loeb & Co.
Lazard Freres & Co.
Merrill Lynch, Pierce, Fenner & Beane
Phelps, Fenn & Co.
Union Securities Corporation
White, Weld & Co.
A. C. Allyn & Co., Inc.
Barr Brothers & Co.
Alex. Brown & Sons
Equitable Securities Corporation
Hemphill, Noyes & Co.
Hornblower & Weeks
W. C. Langley & Co.
Paine, Webber, Jackson & Curtis
R. W. Pressprich & Co.
Reynolds & Co.
L. F. Rothschild & Co.
Salomon Bros. & Hutzler
B. J. Van Ingen & Co. Inc.
Dean Witter & Co.
Wood, Struthers & Co.
Dick & Merle-Smith
Lee Higginson Corporation
F. S. Moseley & Co.
Riter & Co.
Estabrook & Co.
Gregory & Son Incorporated
Malvern Hill & Co., Inc.
Laurence M. Marks & Co.
W. H. Morton & Co. Incorporated
Roosevelt & Cross Incorporated
Schoelkopf, Hutton & Pomeroy, Inc.
Swiss American Corporation
Tripp & Co., Inc.
Tucker, Anthony & Co.
G. H. Walker & Co.
Chas. E. Weigold & Co. Incorporated
Bacon, Stevenson & Co.
Eldredge & Co. Incorporated
Geo. B. Gibbons & Co., Inc.
A. M. Kidder & Co.
Wm. E. Pollock & Co., Inc.
Schwabacher & Co.
Wood, Gundy & Co., Inc.
Courts & Co.
R. L. Day & Co.
Emanuel, Deetjen & Co.
Folger, Nolan-W. B. Hibbs & Co. Inc.
Kaiser & Co.
McDonald-Moore & Co.
Piper, Jaffray & Hopwood
Thomas & Company.

Conning & Co. to Admit Jacobs and Shaw

HARTFORD, Conn.—On March 1, Conning & Co., 15 Lewis Street, members of the New York Stock Exchange, will admit Donald B. Jacobs and John H. Shaw to partnership in the firm. Mr. Jacobs has been associated with the firm's trading department for some time.

Donald B. Jacobs

Hemphill, Noyes Adds

Hemphill, Noyes & Co., 15 Broad Street, New York City, members of the New York Stock Exchange announced that Alexander M. Laughlin is a registered representative in the New York office, and William E. Higgins a registered representative in the Trenton office.

W. H. O. Krause 50 Years With Goldman, Sachs & Co.

W. H. Otto Krause, who has been manager of the securities department of the investment banking firm of Goldman, Sachs & Co., 30 Pine Street, New York City, for over 30 years, completes 50 years of continuous association with that firm Feb. 8.

I Am Not Pessimistic!

By ROGER W. BABSON

Mr. Babson, in commenting on reports of falling business in December, expresses doubt employment will decline as much as 10% during the next six months, as is generally forecast. Condemns any forecasts extending beyond one month or so, and says, "only waste, inefficiency, dishonesty and sin can cause business depressions." Looks for possible new sources of power.

Many of our readers are greatly disturbed by recent Associated Press figures showing quite a falling off in reported December business. It also appears that figures for January are none too good. Readers ask me the reason. My reply is that in view of a falling off of consumer demand, and the consequent piling up of inventories, merchants are not buying their usual quotas of new goods.

Roger W. Babson

Christmas Cards a Factor

The slowness of Christmas buying was due mostly to the unseasonable weather. Some sections were suffering from a long drought—no rain for months; yet certain states had seen only rainy days. Many millions substituted Christmas cards for gifts. In fact, Christmas cards are becoming a serious menace to Christmas business. (A few weeks ago I heard a sales clerk say: — "Buy Your 1954 Xmas Cards and Wrapping Paper Now.")

What the answer to this "Christmas card" craze will be, I don't know. Certainly, merchants' associations should seriously consider its ramifications as potentially capable of completely upsetting present Christmas practice. Such cards sell without newspaper advertising; any cards left over can be put on the counters a year later; and the mark-up is good—40%-50%. In view of Newton's Law of Action and Reaction, the Christmas card business will be overdone and people will get tired of either sending them or getting them. Some people already look upon the Christmas cards sent out by business concerns as a waste and nuisance.

Forecasting Can Be Overplayed

But to get back to the Business Outlook, I do not believe that business and employment will fall off 10% the next six months as is generally forecast. Furthermore, I do not forget that the Forecasting Business is subject to the same Law of Action and Reaction that every other business is. This can be overdone and may have been overdone for 1954. This is one reason we confine our forecasts to only six months at a time. Even the Gallup Polls, which are honestly and carefully operated, may turn out to have been largely a fad.

Here is another thought: Does a new year necessarily start every January first? A new year starts every month and even every day. Annual Forecasts are really based upon an old religious custom started centuries ago. From a logical standpoint, it is foolish to celebrate the ending of an old year every December 31 and the beginning of a new year every January 1. I forecast that some day this silly custom will be abolished.

Church Bells a Good Business Barometer

With my intimate knowledge of the new products, methods and inventions now on drawing boards and in test tubes, I simply cannot get pessimistic now. Only waste, inefficiency, dishonesty, and sin can cause business depressions. When visting big cities, I am temporarily blue; but when I get out into the smaller cities and hear the church bells ring, I am again an optimist on America.

I am watching with great interest possible new sources of power. Immediately ahead of us is the peace-time use of atomic energy. Around the corner is the use of unlimited solar energy, upon which the Massachusetts Institute of Technology at Cambridge, Mass., is working. Then the Gravity Research Foundation of New Boston, N. H., tells me that the discovery of a gravity "insulator" will harness gravity for the benefit of everyone. Added to these are the great possibilities of mental energy.

Human Brains and Souls

The world's most wonderful machine — namely, the human brain and soul — we all possess. Yet, we are using them at less than 5% of capacity. Let this be increased by new educational plans to only 7%, and factories cannot then get help enough, and shops cannot hold the customers. Think this over! May I add the closing paragraph of a Christmas letter received from Turkey:

"I'd like to write about what is going on in the world at large but the world is too full of opportunities and problems for anyone to say much about it from over here. I suppose I am an incurable optimist because I believe so firmly that 'This is my Father's world. O let me ne'er forget that though the wrong seems oft so strong, God is the Ruler yet.'

"The battle rages fiercely all over the world and in the hearts of men. You and I have our part in this warfare in which there is no neutrality but only utter loyalty to our Captain who is bound to win in the end. In this faith a Joyful Christmas to you and a Happy New Year."

Halsey, Stuart Group Offer Utility Bonds

A group headed by Halsey, Stuart & Co. Inc. yesterday (Feb. 10) offered $12,500,000 Public Service Co. of Oklahoma first mortgage bonds, series E, 3%, due Feb. 1, 1984 at 99.021% and accrued interest. The group was awarded the bonds on its bid of 98.359%.

Proceeds from the sale of the bonds will be used in connection with additions, extensions and improvements made and to be made to the company's properties.

The bonds are to be redeemable by the company for the purposes of debt retirement at 100%; for other purposes the bonds may be redeemed at prices beginning at 103.03%.

Public Service Co. of Oklahoma supplies electricity to an estimated population of about 686,000 counties in eastern and southeastern Oklahoma. Among the larger cities in its territory are Tulsa and Lawton.

Wm. Benton Co. Forming

William A. Benton will acquire a membership in the New York Stock Exchange, and on Feb. 18 will form William A. Benton & Company with offices at 120 Broadway, New York City. M. Z. Benton will be a limited partner with Mr. Benton.

Outlook for the Truck and Truck-Trailer Industry

By FRED E. BURNHAM*
Financial Vice-President,
Fruehauf Trailer Company

In stressing rapid growth of the truck trailer industry, Mr. Burnham points out, despite its importance, a great proportion of trailer manufacturers are small marginal producers. Reveals, in last four years, companies engaged in the industry have more than doubled, notwithstanding a high ratio of casualties among producers. Looks for an annual average output of 160,000 trailers a year in decade between 1960-1970. Foresees continuation and growth of railroad-trailer freight haulage, and indicates truck-trailer industry employs one out of every 10 persons employed. Notes unhealthy public opinion as a prime obstacle to truck-trailer industry, and calls for stronger banker and investor ties in expanding it. Explains Fruehauf's progress.

The outlook now for the truck-trailer industry is perhaps the brightest it has ever been. True, there are obstacles in our way, and big ones, but this has been true before in our 40 years of operations since the first Fruehauf freight-hauling trailer was built. Without obstacles, to test the ingenuity of management, there would be no sound progress.

Fred E. Burnham

Progress and transportation go hand-in-hand. No one can deny that transportation has been one of the dominant factors in the growth of the United States. The attainment of our high standard of living, which produces our unprecedented role in world affairs, evolved in no small part from efficient transport methods. At some time or another everything you eat, wear or use, moves by truck.

The history of commercial road transportation in our country is the history of a revolution — a revolution that began with the first trailer. It has been going on since the inception of the trailer, is going on now, and will continue to do so, for where there is economic progress, there is good transportation, and where there is good transportation, there is economic progress.

The truck-trailer has become a part of our motorization and has developed to its present level of utility more rapidly than any other commercial transport unit.

Do you realize that 25,000 communities in America depend solely on trucks to bring them everything they need to exist?

Growth of Trailer Industry

While we characterize the truck-trailer industry as one of tremendous growth, we must point out that a great proportion of the trailer manufacturers are small, marginal operators.

All the trailer-makers established themselves as private enterprises, developing with little or no financial assistance from public sources.

To a large extent, they are still operated and controlled, if not owned, by the families, or groups, who started them personally and engineered their expansion.

From the beginning, the small manufacturer was concerned with merely meeting his daily operating expenses. With a minimum of equity financing and the ploughing back of earning, coupled with poor financial guidance, many smaller manufacturers found the going difficult.

Prior to the Korean conflict, 92 companies engaged in the manufacture of some form of truck-trailer. After the war began, 175 companies were in business reaching a high point during two years, of 242.

A present estimate of the level of the industry's manufacturing companies is now around 150. The casualties have been large.

These manufacturers have an opportunity for more rapid growth than the development of our economy as a whole.

The future of the trailer manufacturing industry has been statistically analyzed in a study prepared by Professor Marvin J. Barloon, Western Reserve University. This report, "Outlook for Highway Freight and Trailer Production," assumes, for logical purposes, that there will be a relatively high, stable business climate, and that there will be no major war.

Some figures from this report by Prof. Barloon demonstrate the growth potential of our industry.

It is concluded that there will be an annual new order construction of 70,000 freight-carrying highway trailers each year from 1952 to 1956 and a corresponding total annual output of 130,000 in the next period, including back-order fulfillment. A total annual output of 160,000 trailers is the average predicted from 1960 to 1970.

The total ton-mileage of freight carried by trailers is increasing rapidly. The Bureau of Public Roads first reported ton-miles in 1936 at 14 billion. By 1950, this figure rose to 92 billion. If this growth continues, trailers will carry 146 billion ton miles of freight in 1955 and 248 billion in 1960.

The number of trailers in service, as a projection of the average, is expected to rise from 387,000 in the period between 1947 and 1951; to 606,000 between 1952 and 1956; to 1,086,000 between 1957 and 1961; to 1,850,000 between 1961 and 1970. This is a projected increase of about five times in 20 years.

Combination of Rail-Trailer Haulage

At this point, I believe it would be interesting to note an important area of growth that involves the combining of railroad-trailer haulage. This operation is known as "piggy-back." In other words, trailers are loaded upon flat cars, transported to their destination by rail and picked up for terminal delivery by a new team of tractors.

Piggy-back is not a new concept. It offers a stormy 16 year history since it called for the banding together of two major forces whose competitive battles are a matter of record.

The growth potential in this area is debatable. In any event, it would require more trailers.

Public opinion is one of the foremost concerns of the truck-trailer industry.

There is a paragraph in a recent publication by the American Institute of Management called "The Trailer-Makers" that I would like to quote.

"In the minds of those interested in stemming the growth of this industry, heavy trucking is the chief factor in the deterioration of our highways. There is, however, no authority who can definitely and authoritatively state that motor haulage is the culprit, though there have been many attempts."

One of these attempts, the Maryland Road Test, was conducted recently under the auspices of the Highway Research Board.

A one-mile stretch of road was given the equivalent of 20 years usage in a controlled period of time. The results, as viewed by the advocates of restrictive highway freight haulage, proved conclusively that this usage was detrimental.

However, in an independent analysis of the results of this test, John S. Worley, professor emeritus of transportation engineering at the University of Michigan, pointed out that, and I quote, "these tests were conducted on a pavement which, with the exception of the granular subgrade on the south end, was admittedly deficient in a most important component of the road structure.

"As was expected, the road pumped and instead of correcting this defect or discontinuing the test as not representative of properly constructed pavements, the test was carried to conclusion with purposeful intent to cause failure."

And "instead of pointing out that the test road actually measured the rate at which predestined failure would take place, these tests are being presented as representative of concrete pavements in general and used in an attempt to convince the public that highway construction has reached the limit of its capacity to carry the loads of modern traffic."

From actions such as this, it is evident the question of public roads will continue to be an important issue in the public relations problems of the truck-trailer industry.

Public opinion resents the trailer industry, but at the same time does the average person realize that the industry employs one out of every 10 men or women among America's 60 million employed? Only agriculture hires more persons than the trucking industry.

And do you suppose the average person realizes that through taxation, trucks pay for over 30% of all highway costs, yet they constitute only 17% of all vehicles using these highways?

The national average for operating taxes and licenses for each power unit in the United States today, is $1,115.

Adverse Public Opinion

Unhealthy public opinion is one of the prime obstacles facing our industry today.

The trailer-makers have only laid a foundation for their industry, and the longer term outlook is excellent both here and abroad. My own observations regarding outside USA and Canada is the tremendous opportunity for modernization. Equipment is at least 20 years behind our modern equipment. The degree of accomplishment for the industry is dependent on the good handling, at industry level, of a number of things.

The industry must become better identified, and better regarded, which will strengthen commercial banking ties and public acceptance of securities in the market so as to provide a healthy expansion.

The public must be made to see that the placing of large vehicles on the road is a national matter, necessary for a better economy and that trucks pay their own way.

How many people do you suppose know that the license for one interstate truck-trailer can cost $2,000 annually in Wisconsin alone?

We believe the increasing demand for trailers will continue to produce a healthy market over 10 year cycles. The used trailer market throughout the industry can affect profit margins in the in-between years for all but the leaders of the industry.

We at Fruehauf have realized the importance of this market and have developed a used trailer organization geared for present conditions and prepared for the future expansion.

The Fruehauf's Future

Now, what of Fruehauf's future in the indstry?

Since 1914 we have been the industry leader in manufacturing, research, sales and service. We are, today, the only publicly-owned corporation devoted exclusively to the manufacture of freight hauling truck-trailers.

The successfulness of Fruehauf as a company, I think can best be revealed by the fact that there are no short-term bank borrowings outstanding at the present time other than those related to the financing of our defense contract operations. The growth of commercial business has been financed in part by retained earnings. At the same time the common shareholders have been paid generously a $2 annual dividend for the last five years. Our directors are intent on the stability of this dividend. This strengthened financial structure, in our opinion, is one of the healthiest potentialities forecasting the future of Fruehauf.

Perhaps the dominant factor responsible for the growth of Fruehauf from a small blacksmith shop to the leader in our industry, has been the growing acceptance of the importance of motor transport.

An example of the economy, the elimination of substantial material handling expense and costly warehousing is illustrated in the rubber industry where the tires move from the manufacturer's shipping dock directly to the automobile assembly lines on hourly truck-trailer schedules. Of equal importance is the large reduction made possible in the amount of working capital always tied up in materials in transit.

But we have not been content to allow circumstances to be the only criteria for our growth.

Considering a curcumstantial factor, military requirements, and a company-inspired factor, replacement parts and service, in relation to gross sales for 1953, government production accounted for 30% and the replacement-service business about 15%.

Incidentally, we are the principal supplier of trailers for guided missile battery mechanisms, a business of untold importance.

We feel that Fruehauf has set the pace, not only in our own industry, but as an example for others, in our transformation from manufacturer-distributor operation into one of owned and operated sales and service branches. We are located in 77 cities in the United States and Canada.

Our factory branches, represent about 1,900,000 sq. ft. of commercial or light industrial property and constitute the only nationwide network of service branches in the industry. They are located where new demand for trailers arises.

Service is our way of maintaining a stable sales position regardless of the type of demand.

Our factory branches provide assurance to truckers everywhere that their Trailer equipment can be kept in operation without costly time loss—that delivery schedules can be met—and that maximum equipment profits can be realized. The sales income from this service network has grown steadily through the years—increasing with the number of Trailers on the road. During the years from 1939 to 1953 the number of Truck-Trailers increased about four times, whereas our sales of service parts and accessories increased nearly 16 times, from a volume of $1,900,000 in 1939 to about $30,000,000 in 1953. Compare another way: Fruehauf's entire gross sales in 1939 were about $15,000,000. In 1953 service sales alone were double the total of Fruehauf's business in 1939.

This service increase has been made possible by our policy of improvement in branch facilities —continuous training of skilled workmen—and unceasing improvements in day to day business practices. Many Fruehauf branches, in fact, boast facilities more extensive than some of our competitor's manufacturing plants.

As you may already know, we have the world's largest truck-trailer plant at Avon Lake, Ohio —about 25 miles West of Cleveland. Nearly one-half mile in length and over 400 feet wide, the plant contains the latest and most efficient trailer manufacturing equipment in the world.

Besides this plant, we have eight other plants across the country, including one in Toronto, Ontario. Combined they provide 3¼ million sq. ft. of manufacturing space.

Another important Fruehauf operation is our Finance Company, a $100 million corporation. Designed to meet the growing competitive climate in our industry, the Finance Company handles installment sales as an owned and operated subsidiary, accounting for 50 to 60% of the company's commercial trailer sales.

Through the Finance Company, a qualified trucker can buy needed equipment without suffering an added cash burden on his company since he pays for the purchase at practically the same rate it depreciates.

Repossessions have been no problem. Payments for trailer equipment are made with the same integrity as payrolls are met because the equipment is productive and vital to the livelihood of its owner.

Such repossessions as are necessary are merchandised through the tremendous sales organization —the branch system — of the Parent Company.

Production Figures

Production figures within a 30-year period for the entire industry perhaps will give you a better idea of the growth potential and future for the industry more so than words.

In 1923, 11,460 truck-trailers were produced in the United States with a total value of $4,366,000, or an average of $371 per unit.

In 1952, 30 years later, 58,078 units were produced with a total value of $228 million, or an average value of $3,950 per unit.

That first semi built by Fruehauf may have sold for $300. It looked more like a wagon. It was not equipped with front support legs—it had a crude coupler—the tires were hard rubber. The development in tires, metallurgy and high horse-power tractors have all been part of the Truck-Trailer development.

Light weight materials have come into extensive use—aluminum is used by most trailer manufacturers, and Fruehauf also has a complete line of stainless steel trailers, the Cadillac of the line.

Trailers have become longer in length. These two factors both work in the same direction — to increase pay load and more profitable operations of the truck lines.

Truck lines have been generally

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

profitable — many highly satisfactory. Their growth has been financed from profits and it is the rare exception where outside financing has been available.

Fruehauf has new designs on the drawing board, in prototype and in process of tooling. These new designs will further reduce weight, increase inside cubage of vans and thus increase pay load and profits for the operators. The product development program will improve every model in the line.

Fruehauf products cover every conceivable handling problem. During 1953 we re-established the manufacture of automobile haul-away units and are producing the most modern auto hauler on the market today.

Indicative of our growth and future, by comparison, in 1953, the year just ended, Fruehauf sales were $193 million—a 13 times increase since 1939 and the highest on record.

And we believe that at the close of 1954, the total sales will make a healthy comparison with that of 1953. January new orders give evidence that the adjustment indicated during the last few months has corrected itself to a considerable extent.

Sun Life Reports Another Record Year

It was announced on Feb. 9 that 1953 proved to be another outstanding year for the Sun Life Assurance Co. of Canada, with a record amount of new business sold throughout the company's worldwide organization.

For the fifth consecutive year, dividends to policyholders of Sun Life will be increased. This reduction in the cost of life insurance was announced by George W. Bourke. President, at the company's 83rd annual meeting. These dividends, payable through 1954, will amount to $24,500,000, $2,500,000 more than was paid in 1953, and an increase of more than 50% over 1949.

New business purchased from the company amounted to $576,946,000. This was the largest recorded by any Canadian company, and much of it was secured in the United States where the Sun Life has 36% of its business in force, and 46% of its entire assets invested. Included in this new business figure is $170,778,000 of group insurance, representing an increase of more than $5,000,000.

The total payments to policyholders, beneficiaries and annuitants since the company issued its first policy in 1871 now stand at $2,728,999,000. Of this amount, $125,057,000 was paid during 1953, an increase of $6,439,000 over the previous year. Of the total for 1953, $87,431,000 was paid to living policyholders, and $37,626 000 to the beneficiaries of deceased policyholders. Sun Life benefits paid to United States policyholders and their beneficiaries since the first United States policy was issued now amount to $919,188,000.

Sun Life assets increased during the year by $86,914,000 and now amount to $1,829,789,000. The amount of mortgage loans expanded by almost $30,000,000. Of a total mortgage investment of $262,959,000, more than $176,000,000 is in 41,716 home mortgages.

Chicago Analysts to Hear

CHICAGO, Ill.—At the meeting of the Investment Analysts Society of Chicago scheduled for Feb. 25, Owens-Corning Fiberglass Corp. will be the corporation discussed.

With Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

BATON ROUGE, La. — Thomas S. E. Brown has become affiliated with Renyx, Field & Co., Inc.

British Reaction to Randall Report

By PAUL EINZIG

Dr. Einzig, in commenting on British opinion of the proposals in the Randall Report, finds widespread disappointment, because concessions demanded of debtor countries are not considered helpful in promoting a favorable change in their balance of trade. Says endorsement of the "floating pound" is surprising, while financial assistance proposed will not enable a restoration of sterling convertibility.

LONDON, Eng.—It was widely expected in London that the Randall Report would be based entirely on the principle of "Trade not Aid." For this reason the extent of the trade concessions proposed in the Report has caused widespread disappointment. In particular the emphasis laid on the principle of reciprocity under which debtor countries are required to make concessions corresponding to those made to them, is considered unhelpful. After all, unless the concessions are allowed to result in a net favorable change in the trade balance of the debtor countries with the United States, they would fail to bring any noteworthy relief. It is readily admitted, however, that the majority Report of the Randall Committee went as far as it appeared politically practicable. Even the modest trade concessions it proposed provoked dissenting views on the part of some members of the Committee, and it is realized that Mr. Randall would have been unable to secure the backing of the majority if he had gone much further.

Dr. Paul Einzig

The extent of the financial aid proposed in the Report to countries who want to restore the convertibility of their currencies is not indicated by the Report. By themselves the resources of the International Monetary Fund would not be sufficient, and the size of the proposed stand-by credits by the Federal Reserve System is not indicated. It is therefore impossible to express an opinion whether the total would be sufficient to enable Britain to restore the convertibility of sterling without taking undue risk. What is certain is that, in the form in which the financial assistance is proposed, it is open to grave objections. If as a result of a heavy drain on sterling following on the restoration of its convertibility the British authorities were to avail themselves of these dollar facilities they would incur a heavy floating debt in dollars. The existence of such a debt would not inspire confidence in the future of sterling.

Above all, the endorsement of the idea of the "floating pound" by the report caused much surprise in Britain. The Committee was not altogether consistent on this matter, for, while opposing the idea of allowing sterling to find its level, it was sympathetic towards the plan of allowing it to fluctuate to some degree. The range within which it should be allowed to fluctuate is not indicated in the Report. It would be understandable if the Committee came out in favor of a complete freedom of exchange rates, on the assumption that sooner or later their depreciation is bound to reach a level at which they would become self-supporting. Under the formula endorsed by the Report the Treasury would remain under obligation to support sterling when it is weak, only the rate at which it would have to support it would be much lower than the present lower limit of $2.78. But when the trend is really weak the exchange would soon decline to the lower limit, wherever that limit may be. And there is no reason for supposing that the Treasury would lose less gold when supporting sterling at, say, $2.60 than at $2.78. Any increase in the quantity of exports resulting from the depreciation would be offset more or less by the adverse change in the terms of trade.

The idea of allowing sterling to depreciate in face of adverse pressure was welcomed with enthusiasm in Socialist circles. In an article appearing in the "Observer," the former Socialist Chancellor of the Exchequer, Mr. Gaitskell, expressed himself in favor of devaluation in case of a business recession in the United States, in order to avoid having to deflate in defense of sterling. A gradual depreciation would be even more convenient from this point of view than a sudden devaluation. The argument that any substantial depreciation of sterling, whether sudden or gradual, would tend to accentuate the deflationary spiral in the United States, as it did during the early 'thirties, is brushed aside, as the Socialist advocates of economic nationalism hold the view that the United States have the remedy in their own hand. All they would have to do is to provide Britain with the necessary dollars to avoid a depreciation of sterling.

It is understandable that the Socialists are keen on defending, if necessary with the aid of a policy of economic nationalism, the high standard of living in their Welfare State. What is more difficult to understand is that the Randall Committee should give its blessing to a proposal which, if adopted, is bound to damage vital American interests. Nor would it be helpful even from a purely British point of view. Any aggravation of the business recession in the United States through a depreciation of sterling would inevitably react on the economic situation in Britain and the whole free world. And any avoidance of a depreciation of sterling through more American credits would restore the "Aid not trade" policy which is condemned by most right-thinking people.

In Britain the idea of a floating pound, which had many supporters a year ago, lost much of its popularity during 1953. The fact that the Randall Committee gave it its blessing is bound to result in a revival of agitation in its favor.

It is generally admitted, on the other hand, that the Report has rendered a great service by stressing the impossibility of an immediate restoration of convertibility. During recent weeks the "dash to freedom" school has been on the warpath again. Economists, bankers, and financial editors who ought to know better put forward peremptory demands that the government should proceed with convertibility immediately, irrespective of American aid. Their emotions got the better of their judgment. Fortunately those in responsible position refuse to be rushed into a fatal step which would inevitably result in a major crisis. They now have the backing of the Randall Report to their policy favoring a gradual return to convertibility.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

Operating statements of several of the major fire and casualty companies for the year 1953 have now been published. In general most reports are in line with earlier expectations and show declines in underwriting profits from the fire lines and substantial improvement in casualty operating results. Further gains were also recorded in earnings from investments with increases from the previous year of close to 10% quite common.

One of the better showings among the major groups that have published reports so far is that of the National Fire Insurance Company of Hartford.

Net premiums of this group reached a new high with a gain of 10.4% over the previous year. Losses were higher as were expenses. A gain of 15.6% in premiums earned, however, enabled the company to report a statutory underwriting gain of $525,489 as against an underwriting loss in 1952 of $305,547.

Earnings from investments showed an increase of 9.8% reflecting a larger volume of funds invested and a better rate of return on fixed income obligations.

The combination of these factors produced a large gain in profits before taxes. Federal income taxes and Connecticut investment taxes also showed a substantial increase. This reflected the fact that the company had an underwriting gain in 1953 as against a loss in the previous period. Also income from investments was higher and in addition the company did not have the benefit of certain deductible carry-overs from previous years which reduced taxes in 1952 but were not available to 1953 operations.

In spite of this greatly increased burden, National Fire was able to show a small increase in net operating profits for 1953.

A summary of the operating statements for 1953 and 1952 is presented below.

OPERATING STATEMENT

	Years Ended Dec. 31, 1953	1952
Underwriting		
Net Premiums Written	$72,426,807	$65,611,807
Increase in Unearned Premium Reserve	2,961,530	5,533,053
Premiums Earned	$69,465,277	$60,078,754
Losses Incurred	35,412,321	30,120,376
Adjustment Expenses	4,639,422	3,868,731
General Expenses Incurred	28,868,479	26,391,775
Underwriting Gain (Loss)	$545,055	($302,129)
Underwriting Profit and (Loss) Items	(19,566)	(3,418)
Net Underwriting Gain (Loss)	$525,489	($305,547)
Investments		
Earnings from Investments	$3,128,991	$2,850,110
Operating Gain before Federal Income and Connecticut Investment Taxes	$3,654,480	$2,544,263
Federal Income and Conn. Invest Taxes	1,308,296	323,119
Net Gain	$2,346,184	$2,221,444

The above figures present a considerably better showing than many of the other companies in the industry.

On a per share basis the results are also interesting. In the tabulation below the above figures have been converted to a per share equivalent. Also in accordance with the usual statistical practice, an adjustment for changes in the unearned premium reserve has been made. On the basis of the 500,000 outstanding shares the results are as follows:

	1953	1952
Underwriting Profit (Loss)	$1.05	$0.61
Equity in Unearned Premium Reserve Increase (35%)	2.07	3.87
Adjusted Underwriting	3.12	3.26
Investment Earnings	6.26	5.70
Earnings Before Taxes	9.38	8.96
Income and Conn. Invest. Taxes	2.62	0.65
Net Operating Earnings	6.76	8.31

As can be seen from the foregoing, National Fire after adjusting for changes in equity in the unearned premium reserve was able to show adjusted underwriting profits almost equal to those of 1952. Pre-tax income as a result of an increase in investment earnings was higher. The larger tax liability, however, reduced the net operating earnings per share on the adjusted basis below those of the previous period.

Even so, the statement compares favorably with others issued in recent weeks.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The Hanover Bank, New York announces that on March 1, 1954, its Herald Square Office will move to a new location at 1460 Broadway, to be known as the 41st Street Office.

* * *

Donald C. McGraw, President and director of McGraw Hill Publishing Company, Inc., and Roger L. Stevens, President and Treasurer of Producers Theatre, Inc., have been elected to advisory board of the Times Square Office of **Chemical Bank & Trust Company, New York,** it was announced on Feb. 5 by N. Baxter Jackson, Chairman.

* * *

Chester R. Dewey has retired as President of **Grace National Bank of New York,** a post he has held since 1933, it was announced on Feb. 4. Ralph S. Stillman, executive Vice-President and a Director of the Bank, has been elected President and Andrew B. Shea, first Vice-President of W. R. Grace & Co., has been elected Chairman of the bank.

* * *

Following difficult demolition lasting several months, the construction company has commenced construction of a new main office for **The Seamen's Bank for Savings** at 30 Wall Street on the historic site of the former U. S. Assay Office (and earlier the location of the famous Verplanck mansion). It will be the home of The Seamen's Bank, which will be 125 years old this year and has occupied its present headquarters at 74 Wall Street, corner of Wall and Pearl, for over 80 years. The building will be 12 stories above the street level, and with basement and sub-basement going down five floors as they did in the Assay building. The limestone facade of the Assay Office will be incorporated in the front of the new building.

* * *

The Trade Bank and Trust Company, New York, N. Y. received approval on Jan. 22 from the Banking Department of the State of New York to increase its common capital stock from $2,500,000 consisting of 250,000 shares with a par value of $10 per share to $2,750,000 consisting of 275,000 shares of the same par value.

* * *

As of the close of business Jan. 22, the **East Rockaway National Bank & Trust Company, East Rockaway, New York** merged with and under the title of the **Meadow Brook National Bank of Freeport, Freeport, Nek York.**

* * *

Huntington Station Bank, Huntington, N. Y. was given approval on Jan. 22 to increase its capital stock from $200,000, consisting of 2,000 shares of common stock of the par value of $10 per share, to $400,000, consisting of 16,000 shares of the par value of $25 per share.

* * *

Frank E. Xavier, President of the **First National Bank in Yonkers,** died Feb. 3 of a heart attack in the bank's main office at 20 South Broadway. His age was 78.

* * *

Approval was given on Jan. 21 by the Banking Department of the State of New York to the **Lincoln Rochester Trust Company, Rochester, N. Y.** to increase its capital stock from $7,200,000, consisting of 360,000 shares of a $20 per share par value to $8,000,000, consisting of 400,000 shares of the same par value.

The Second National Bank of Boston, Massachusetts increased its common capital stock from $4,000,000 to $5,000,000 effective Jan. 27 by a stock dividend.

* * *

The Providence Union National Bank, Providence, Rhode Island and the **Industrial Trust Company, Providence, Rhode Island** were consolidated to form the **Industrial National Bank of Providence,** effective Feb. 1.

* * *

The Lincoln National Bank of Newark, New Jersey by a stock dividend effective Jan. 25 increased its common capital stock from $1,500,000 to $2,000,000.

* * *

Warren H. Woodring, Executive Vice-President, was elected on Feb 8 to the Board of Directors of **Tradesmens Land Title Bank and Trust Company, Philadelphia.**

* * *

North Philadelphia Trust Company, Philadelphia, Pa., and **Girard Trust Corn Exchange Bank, Philadelphia, Pa.,** merged under the charter and title of Girard Trust Corn Exchange Bank effective Jan. 25. A branch was established in the former location of North Philadelphia Trust Company.

* * *

The First National Bank of Middleburgh, Middleburg, Pa. consolidated as of the close of business Jan. 27 with **The First National Bank of McClure, McClure, Pa.** under the title of "The First National Bank of Middleburgh."

* * *

The First National Bank of McDonald, Pa., went into voluntary liquidation and was absorbed by **Peoples First National Bank & Trust Company, Pittsburgh, Pa.** at the close of business on Jan. 22.

* * *

By sale of new stock effective Jan. 29 **The Atlas National Bank of Cincinnati, Ohio** increased its common capital stock from $900,000 to $1,200,000.

* * *

The Citizens National Bank of Xenia, Ohio changed its title effective Jan. 25 to **The Citizens First National Bank of Xenia, Xenia, Ohio** and on the same day increased its common capital stock from $100,000 to $250,000 by a stock dividend.

* * *

The South East National Bank of Chicago, Ill. increased its common capital stock from $500,000 to $625,000 effective Jan. 26.

* * *

Mr. Raymond T. Perring, President of **The Detroit Bank, Detroit, Mich.** was elected President of the Detroit Clearing House Association at its annual meeting.

Other officers elected were—first Vice-President, Mr. William A. Mayberry, President of the Manufacturers National Bank; second Vice-President, Mr. John H. French, Jr., President of City Bank; and Secretary-Treasurer, Mr. Gustave A. Wellensick, Cashier of The Detroit Bank.

* * *

An increase from $600,000 to $750,000 in its common capital stock was made effective Jan. 27 by **The National Lumberman's Bank of Muskegon, Mich.**

* * *

The common capital stock of **The Merchants National Bank of of Mobile, Ala.** was increased from $1,250,000 to $1,500,000 by a stock dividend effective Jan. 25.

The common capital stock of the **First National Bank in Grand Forks, N. D.** was increased from $500,000 to $600,000 by a stock dividend effective Jan. 28.

* * *

By a stock dividend effective Jan. 27 **The American National Bank of St. Joseph, Mo.** increased its common capital stock from $400,000 to $500,000.

* * *

The Hamilton National Bank of Knoxville, Tenn. by a stock dividend effective Jan. 28 increased its common capital stock from $1,500,000 to $2,000,000.

* * *

E. Bretney Smith was elected a director on Jan. 26 of the **First National Bank and Trust Company, Asheville, N. C.**

* * *

The Barnett National Bank of Jacksonville, Fla. increased its common capital stock $500,000 to $2,500,000 by a stock dividend effective Jan. 28.

* * *

The Florida National Bank at Fernandina, Fernandina, Fla. changed its title effective Jan. 25 to **The Florida National Bank at Fernandina Beach, Fernandina Beach, Fla.** due to a change in the name of the town.

* * *

Tyler State Bank & Trust Company, Tyler, Texas, has changed its title to **Tyler Bank and Trust Company** effective Jan. 12.

A. C. Allyn & Co., Inc. Underwritings in 1953

CHICAGO, Ill. — Underwritings by A. C. Allyn and Co., Inc., Chicago, investment bankers, increased to $79,481,668 in 1953 from $74,893,630 in 1952, the annual report discloses. The firm participated in 201 underwritings with a total value of $4,025,694,366, against 170 in 1952, with a total value of $3,674,870,409.

The expansion in gross volume of business was particularly marked in the municipal bond field, according to A. C. Allyn, Chairman. Increased personnel in the municipal department and broadening the company's area of operations were key factors in this trend, Mr. Allyn reported.

Combined with A. C. Allyn & Co., an affiliated partnership which is a member of the principal exchanges, capital and surplus increased to $10,522,310 at the close of 1953 from $10,141,011 a year earlier. Net income for 1953 amounted to $646,462.

The A. C. Allyn & Co. volume of stock exchange business increased 12.5%, a larger increase than shown by the New York Stock Exchange. There were 21 Allyn offices at the close of 1953, in addition to the principal offices in Chicago, New York, and Boston.

Milwaukee Bond Club To Hold Annual Dinner

MILWAUKEE, Wis. — The Milwaukee Bond Club will hold its annual dinner and election of officers on Feb. 19 at Cudworth Post, 1756 North Prospect Avenue. Cocktails will be served at 5:30, dinner at 7 p.m. Fee for guests is $10. Reservations may be made with William T. Riley, Jr., Riley & Co.

Nominated for office for the ensuing year are Gilbert M. Vonier, Paine, Webber, Jackson & Curtis, President; Harold A. Franke, The Milwaukee Company, Vice-President; J. Parish Lewis, J. P. Lewis & Company; John A. Toenressen, John A. Tonnessen & Co.; Lester Arnow, Bache & Co.; William L. Liebman, Loewi & Co.; Richard Russell, Merrill Lynch, Pierce, Fenner & Beane, and Leroy F. Richter, James E. Bennett & Co., board of directors.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market, aided by the lowering of the rediscount rate, is adjusting itself to the largest refunding it has had to handle in its existence. The refunding was a carefully thought out operation and it was well timed, especially insofar as the offer was made to take in the June 2s and 2¼s. The 1⅝% certificate was the ticket for those that had to invest surplus funds in a liquid obligation. The seven-year-nine-month 2½% bond was what the doctor ordered as far as most of the deposit banks were concerned.

The lowering of the rediscount rate from 2% to 1¾% was a surprise because a change in this rate generally comes when it is not expected. However, it had been rumored for a long time that the rediscount rate would eventually be lowered as part of the easy money policy which the powers that be have been following. This latest development will have a favorable effect upon the money markets and it may even bring about the lowering of other money rates. A constructive attitude is still very much in evidence as far as the government market is concerned, since a lowering of reserve requirements would not be entirely unexpected either.

Refunding Stimulates Market

The refunding operation has resulted in a considerable increase in volume and activity, with a large amount of switches from the outstanding long-term bonds into the refunding 2½% of 1961 being reported. It is indicated that savings banks have been the leaders in the swops from the longest maturities into the middle-term 2½% which came into being with the February refunding. Although there is still very loud talk about a long-term bond for new money next month, certain money market specialists believe it would be better for the economy if such an offering were to be made at some other time.

The first major financial operation of the new year has been put into the records and the results were most gratifying. The securities that were offered to the holders of the matured or called governments were tailored to meet their specific needs, which means the certificates were made to order for the short-term liquidity buyer whereas the 2½% bond was right down the alley for those that needed income more than liquidity. The commercial banks with liquidity requirements satisfied were interested in the 2½s of Nov. 15, 1961, because this issue enabled the deposit institutions to keep earnings at a rather satisfactory level in spite of the decline which has taken place in loans.

Savings Banks Acquiring New 2½s

The savings banks have also been in the market for the refunding 2½s of 1961, not only through the medium of subscriptions but also by purchases of this security both on a when issued and regular delivery basis. It is reported that quite a sizable amount of the tap bonds were sold to make way for the recently issued 2½% obligation. It was indicated that certain of the savings banks bought the 2½% of November, 1961, because this issue fitted so well into their maturity schedule. On the other hand, some of the savings banks bought the refunding 2½% of 1961 because they were of the opinion that future offerings of government securities would not be as attractive as this bond.

The selling of the long-term Treasuries by the savings banks enabled these institutions not only to take tax losses but also they were in a position so that the same coupon rate was maintained as they had in the issues that were being disposed of. The maturity date was likewise shortened considerably by this exchange. By putting funds in the 1961 maturity that came from the sale of the tap bonds, the savings banks were also getting in shape as far as their maturity schedule was concerned for the much talked about long-term government bond which is being tabbed by some money market specialists for the latter part of March.

Talk of New Long Cash Offering Persists

The retirement of the tax anticipation certificates next month will give the Treasury leeway as far as the debt limit is concerned. It has been and still is the opinion of money market specialists that the government will offer long-term securities for cash sometime in March. The amount that might be offered is, however, a matter of considerable conjecture. The coupon rate is also a point of not a little discussion even though a 3% bond with a 30 year maturity seems to be what one hears talked about most of the time.

On the other side of the fence are those who believe the Treasury should not issue a long-term bond next month when the debt limit will not be so pressing as it is at the present time. There appears to be no disagreement when it comes to another tax anticipation certificate or note being used to raise at least the major part of the new money that will be needed because most of the maturing ones will be turned in for the payment of taxes. It is that portion of the new money which could be raised by other than a tax anticipation security which the financial community is interested in.

Suppose that $1.5 billion more or less were to be raised through the sale of long-term government bonds. There would be an extension in the maturity of the debt and the coupon rate would most likely be high enough to be attractive to institutional buyers so that the offering would be a successful one. However, certain money market specialists hold the opinion that while a long-term government bond can be sold at this time, it would be prudent to currently forego such an offering. They point out it would be advisable not to have the government competing in the long-term money market at this time for funds that should be going in mortgages. The money that goes into home construction helps to keep the economy on an even keel. On the other hand, short or intermediate term issues of the government sold to commercial banks would also have a bolstering influence on the economy.

Continued from first page

As We See It

same time that the money market is kept sound and wholesome in its affect upon other facets of business.

It must now have become apparent to all that it is not possible to feed money into the business community without driving the yields on governments down to a point where even the most sanguine must begin to wonder if the resulting situation is sound and wholesome. The Treasury, is even now a huge borrower, and it has little or no prospect of being able to stay out of the market for any really great length of time. Its outstanding obligations are distressingly short-term. A second half-year is approaching when the cash deficit must inevitably be very large. Yet the longest bills are yielding less than 1%, and the long-term 3¼s which at one time were embarrassingly below par are now almost as disconcertingly high in price and low in yield!

Bedeviled with Politics

This whole question of money supply, interest rates and central bank policy has become horribly bedeviled with politics and with the quackery which has followed the rise of Lord Keynes. The subject is, of course, age old. The Napoleonic wars gave us the Bullion Report; World War I and its aftermath brought forth the McMillan Report; World War II and its aftermath have yielded the so-called Douglas and Patman Committee reports. How any careful student of all this vast mass of factual material and careful analysis (in addition to the polemics) can find a real basis for belief that interest rates driven down almost to the vanishing point or an arbitrarily distended money supply can be expected to cure a depression or even to ward one off once other conditions are conducive to such a turn is quite beyond us.

It may be conceded that fortuitously or by design we have got ourselves into position where it is technically possible for us to "go the limit" in trying to manipulate or control the economy through tinkering with money and credit. We have a Federal Reserve system which holds so-called gold certificate reserves in amounts which technically enables it to expand its deposit and note liability so greatly that no one longer even bothers to talk about the volume of "free gold." It likewise holds some $24.8 billion in government obligations which it could place on the market to force money market rates up almost without limit. Meanwhile there are so many government obligations outstanding which it could buy to reduce interest rates that there is hardly any technical limit to what it could do in this direction.

But let it be carefully noted that while the Federal Reserve authorities could play havoc with the money market—and probably with business generally—if it were to go beserk in flooding the market with its holdings of governments, it faces quite a different situation when it attempts, by buying governments or reducing the rediscount rate, to influence what goes on in industry and trade generally. Lower discount rates do not oblige banks to borrow from the Federal Reserve. They may not—and in the circumstances which have long existed in this country, do not normally—result in any increase at all in member bank borrowing.

Far From Automatic!

Neither member bank borrowing nor increased holdings of governments by the Reserve banks of itself increases the money supply about which a number of rather vocal observers seem so concerned. True such borrowing is not likely to occur unless there is demand for member bank accommodation which does ordinarily enlarge "money supply." Federal Reserve purchases of governments increase member bank reserves which under competitive conditions these latter banks are disposed to use with an increase in money supply as a result. But these things do not automatically work themselves out in this way, and in any event a mere increase in money supply guarantees nothing as to industrial or trade activity. There is the other factor which so many seem to overlook so much of the time—the rate of turnover of money and deposits actually in existence.

But why push this more or less theoretical discussion further? The proof of all such pudding is in the eating, and no where at any time has the general public or the business community shown any conclusive disposition to eat the pudding created by such artificial pressure exerted through the money market. This is the all but unanimous verdict of all close and dispassionate students of history. Even the ardent exponents of prosperity through monetary manipulation are regularly at one point or another obliged to turn to hypothetical reasoning to bolster their case. They are unable to point to any instance where their ideas have proved themselves in actual practice.

One would suppose that the experience of the New Deal from 1933 onward would be enough to convince even the day dreamers. All the cardinal sins against common sense and centuries of financial experience were committed in the name restoring prosperity—and it was only World War II that saved the Roosevelt regime from obvious as well as ignominious failure.

Continued from first page

Budget Expectations And Tax Reductions

of activity. At the same time we are moving closer each year to an administrative budget balance, which is a goal we are determined to reach.

In addition to the $5 billion tax cuts of Jan. 1, we are recommending a general revision of the tax system. It will do two principal things:

(1) It will make the tax burden fairer for millions of individuals by removing the more serious tax inequities and complications.

(2) It will stimulate production and create bigger payrolls and more and better jobs by reducing restraints and by encouraging initiative and investment.

Millions of Americans will benefit from better tax treatment for working children, child care expenses, for doctors' bills, for annuities, and from easier procedures in filing returns.

And these same millions will benefit even more from such revisions as liberalization of the tax treatment of depreciation and partial relief from double taxation of dividends. Everyone will benefit because the economy will benefit with the resulting creation of more jobs with better tools and machinery to produce higher payrolls and cheaper better things for public consumption.

The tax revision program, by helping the economy to grow and expand, will benefit every citizen, with steadier employment and higher standards of living.

Relief From Double Taxation Of Dividends

In this connection the proposal for some relief from the double taxation of dividends may not be well understood. Under present law, earnings of a corporation are taxed twice—once as corporation income and again as individual income when they are paid out in dividends to the millions of shareholders in American industry. This has restricted the market for shares of stock in companies which want to expand and has forced them to borrow money instead of selling shares in their future. In the past ten years better than 75% of private-industry financing has been done by going in debt instead of selling shares. What does this mean? It means simply that we have enterprise heavily in debt so that it doesn't develop as well or as quickly as it would without heavy debts hanging over it. Should business turn down, a company in heavy debt is, of course, easily drawn into trouble.

Better prospects for enabling companies to get shareholder financing — instead of going into debt—thus means better prospects for all Americans who work, for increasingly better jobs come more surely out of companies that are moving forward and expanding.

Proposed Increased Depreciation Allowances

There has also been some misunderstanding about what we are proposing in depreciation. Depreciation is really the wrong word. Buildings and machinery not only wear out but they become old fashioned and neither the workman using them nor the business owning them can do as well either in earning wages or in decreasing costs as more modern, up-to-date equipment would make possible. Depreciation is simply the method by which the original cost of a building or piece of machinery is recovered over the years during which it is being used up and worn out. At the moment these deductions must usually be spread out evenly over the years for tax purposes. But if the cost of a piece of machinery has not been written off by the time it should be replaced with the better machinery, there is less inclination to buy a new piece of machinery that will do the job better and cheaper than keeping the old machinery still in use. Our proposal to let more depreciation be taken in early years does not increase the total that may be taken as tax deduction by one cent. It simply recognizes the facts and allows more of the deduction in earlier years. Doing so helps our economy to stay modern and up to date, and so to grow and expand faster. And again repeating the obvious, out of this growing economy come more and better jobs. It also is very helpful to the small and growing concern in arranging its finances for new purchases of additional or more modern equipment and so aids small business to forge ahead.

Nothing can so add to our national strength and preparedness as modernization of the whole industrial plant in America and nothing will make more sure more jobs at which millions of people can earn high wages by producing more and better goods at less cost.

These revisions, as they help our economy expand and reduce the taxes required will also result in more personal income to be spent by taxpayers for their own account and in their own way and so will provide more money for the purchase of those better goods and services.

Additional tax cuts for all the taxpayers will, of course, benefit them. But until more reductions in government expenditures are in sight further cuts in taxes will only add to the deficit. However, as rapidly as reduced expenditures can be seen, further tax reductions will promptly be made. In the meanwhile, putting first things first, we must make sure we are doing the things that by restoring initiative will keep our economy expanding. More tax cuts from the pay check will be of little value if there is no job to make the pay check in the first place.

As long as Americans know there is adequate chance for gain they will save and invest. They will try new things that will bring forward new business, growing business, more jobs, better jobs, and higher and better standards of living.

In the past decade the growth of American industry was stimulated by debt and war and inflation. With these unwanted pressures fading, we need to again make initiative and enterprise more compelling if our economy is to continue to grow.

That growth stimulated by tax relief and reduction to almost every taxpayer in the nation is the basic purpose of our tax program.

We believe that this tax program will help to build a firm foundation for the future health of our economy and that we can look to the future with great confidence.

A. D. Orrick Appointed SEC Administrator

Ralph H. Demmler, Chairman of the Securities and Exchange Commission, announced the appointment of Andrew Downey Orrick, as Regional Administrator of its San Francisco Regional Office, effective Feb. 23. Mr. Orrick is succeeding Howard A. Judy who resigned from the Commission's staff in October, 1953.

Mr. Orrick, a resident of San Francisco, has been associated with the law firm of Orrick, Dahlquist, Herrington & Sutcliffe since 1947. He is a graduate of Yale University and the University of California Law Department (Hastings College of the Law). During World War II he served in the United States Army as a Captain in the Transportation Corps.

Phila.-Balt. Exchange Receives Nominees

PHILADELPHIA, Pa. — The Committee on Elections of the Philadelphia-Baltimore Stock Exchange has reported the following nominations for officers of the Exchange:

President: Frank L. Newburger, Jr., Newburger & Co.

Board of Governors: George W. Elkins, Jr., Elkins, Morris & Co.; Herbert T. Greenwood, H. T. Greenwood & Co.; Robert Y. Guarniery, R. Y. Guarniery & Co.; J. Raymond Leek, Bioren & Co.; Harry MacDonald, E. W. Clark & Co.; Samuel K. Phillips, Samuel K. Phillips & Co.; George E. Snyder, Jr., George E. Snyder, Jr. & Co.; Edward Starr, Jr., Drexel & Co.; and William DeHaven Townsend, DeHaven & Townsend, Crouter & Bodine.

Geo. Stewart Co. Forming

George Stewart & Co., members of the New York Stock Exchange, will be formed Feb. 18 with offices at 350 Fifth Avenue, New York City. Partners will be George Stewart, member of the Exchange, general partner and Mary Soloway, limited partner, Mr. Stewart was formerly a partner in Spring, Stewart & Co.

Frank L. Scheffey

Frank L. Scheffey passed away Feb. 4 at the age of 71. Mr. Scheffey, who had recently been with Thomson & McKinnon, was a former officer of the Investment Bankers Association, and was Executive Secretary for the New York, New Jersey and Connecticut district of the National Association of Securities Dealers.

Continued from first page

Funds Increase Utility Purchases

equities, there has been a great amount of interest in what investment company managers have been doing in this group. The most that can be deduced from transactions during the final quarter of 1953 is that there was a decided lack of unanimity of opinion in the attitude toward the tobacco industry in general. However, it might be concluded that during the period under review investment company managers tended to lighten commitments in American Tobacco, increase holdings in Lorillard, and maintain a rather neutral attitude toward the three other major companies. Of course tax and other considerations enter into such investment decisions made by the trusts, so conclusions should not be drawn with any degree of finality. The following table details the transactions of investment company management in the tobacco stocks during the period under review.

Defensive Positions Stabilized

Although one-half of the open-end funds continued to add to reserves of cash and governments during the current quarter—the number paralleling such action in the preceding period—for the most part this merely served to maintain their defensive positions percentagewise due to the rise in level of stock prices and inflow of new subscriptions. Five stock funds, however, did make above-average increases in defensive positions. These were Broad Street Investing, Bullock Fund, deVegh Mutual Fund, Investment Co. of America and Selected American Shares. Among the balanced companies, Axe-Houghton "A" and Wellington lightened the more volatile end of their portfolios during the period to a greater extent than their colleagues. On the other hand, Dreyfus raised its common stock percentage from 56.2% to 93.0% and Knickerbocker upped the volatile end of its portfolio from 37.2%, but still was relatively conservative at 54.5%.

Purchases and Sales of Tobacco Shares, Fourth Quarter 1953

[Figures in parentheses in total columns indicate number of managements which either bought or sold securities of respective tobacco companies during the quarter.]

BOUGHT	American	Liggett	Lorillard	P. Morris	Reynolds
Affiliated Fund			2,500*		
American European		100			
{Axe-Houghton "A"		{300*			
{Axe-Houghton "B"		{600			
{Bullock Fund			4,100*		{3,000*
{Dividend Shares					{10,000
{Nation-wide Securities					{4,000
Commonwealth Investment				600	
{Eaton & Howard Balanced					{5,000
{Eaton & Howard Stock					{1,500
General Investors Trust			1,300*		
Group Secur.—Com. Stk.	500			500	
Institutional Found. Fd.			500	300	
Investors Mutual					25,000
Mass. Investors Trust					15,000
Selected American Shares		3,000	4,000		
TOTAL BOUGHT	(1)500	(3)4,000	(5)12,400	(3)1,400	(4)63,500

SOLD	American	Liggett	Lorillard	P. Morris	Reynolds
Axe-Houghton "A"				500*	1,000
{Eaton & Howard Stock	{400				
{Eaton & Howard Balanced	{1,000				
General Investors Trust		500		700*	
Institutional Found. Fd.	100	100			
Lehman Corporation					20,000
National Shares Corp.			3,000*		
Mass. Investors Trust		600			
Tri-Continental					13,300
Wellington Fund	31,000	15,000*		15,000*	5,800
TOTAL SOLD	(3)32,500	(4)16,200	(1)3,000	(3)16,200	(4)40,100

*New commitment or portfolio elimination.

Newcomers

Only four newcomers to portfolios were noted during the period. These were Hart, Schaffner and Marx added by Dreyfus Fund; Whirlpool Corp. bought by Stein Roe and Farnham, and Hartford Steam Boiler, Inspection and Insurance and Upper Peninsular Power purchased by Fidelity Fund. Interest is always evidenced in switches in the same industrial category and a list of the principal ones occurring during the quarter follows; with the obvious *caveat* they may have been determined by other factors than the pure relative investment merit of the respective issues:

	SOLD	BOUGHT
{Adams Express	Aluminium, Ltd.	Reynolds Metals
{American International	Aluminium, Ltd.	Reynolds Metals
Axe-Houghton "A"	General Portland Cement	Lone Star Cement
Boston Fund	Gulf Oil	Shell Oil
Dividend Shares	Goodrich	Goodyear
Eaton & Howard Stock	American Tobacco	Reynolds Tobacco
General Investors Trust	Liggett & Myers Philip Morris	Lorillard
Scudder Stevens & Clark	Atlantic Coast Line	Seaboard Air Line

NOTE: Bracketed funds are under same management.

Florida Power Corp. a Favorite

Florida Power Corporation was easily the favorite among the power and light stocks during the final 1953 quarter. Nine funds purchased a total of 56,020 shares, partially through rights and two representing new commitments. There were no sales. Columbus and Southern Ohio Electric and General Public Utilities—the latter having been most popular issue in the group in the preceding period—were each acquired by six managements, three of the Ohio purchases and one of G. P. U. being added to portfolios for the first time. Columbus and Southern experienced no liquidation, but four trusts sold a total of 41,600 shares of G. P. U., three eliminating it from their portfolios.

Four managements each purchased American Telephone, Commonwealth Edison, New England Electric System and Southern California Edison. There was no liquidation of Telephone except for a block of 100 shares. Two trusts sold Commonwealth and one eliminated 400 shares of Southern California from its holdings. Illinois Power and Iowa-Illinois Gas and Electric each found favor with three funds. Rights were exercised for some of the purchases of Delaware Power and Light, New York State Electric and Gas and Pacific Gas and Electric. Five acquisitions were made of each of these issues.

Selling was concentrated on American Gas and Electric, five companies disposing of a total of 37,100 shares, one completely eliminating the issue from its portfolio. Two offsetting purchases totaled 1,650 shares. Kansas City Power and Light and Ohio Edison were second least popular in the group, four managements selling 13,600 shares of the former and a like number offering 6,200 shares of the latter. Three of the Ohio Edison sales cleaned this stock out of portfolios and there were no purchasers for consolation. Other electric utilities to be sold on balance during the period, each by three funds, were Central and Southwest Corporation, Cincinnati Gas and Electric, Consolidated Edison of New York, Gulf States Utilities and Public Service Electric and Gas.

Attention on Amerada Renewed

Amerada, the growth favorite in the oil department, came in for a share of renewed attention as five trusts added a total of 12,800 shares. Sales totaling 5,800 shares were made by three companies in the Seligman group. Mid-Continent Petroleum, also bought on balance during the preceding period, was added to four portfolios, acquisitions totaling 18,000 shares; one block of 1,000 shares was sold. Three managements each liked Honolulu Oil, Louisiana Land and Exploration, Ohio Oil, Standard of Indiana and Texas Co. Ohio and Texas had been top favorites during the last three months of 1953, but purchasers were double the number currently favoring these two issues.

Also liked by a couple of trusts each were Creole Pete, Houston Oil, Mission Corporation and Richfield. Phillips, not too well-liked in the previous period, was still unpopular, four managements disposing of a total of 9,000 shares, two completely eliminating the stock from their portfolios. Other selling on balance was concentrated in shares of Continental Oil, International Petroleum and Skelly Oil, three companies offering stock of each of these issues. Only offsetting purchase was represented by a block of 6,500 shares of Continental.

New Chemical Favorite

Mathieson displaced duPont as the most popular in the chemical group, three funds making initial acquisitions and two adding to portfolio holdings shares totaling 5,900 in volume. One block of 900 was eliminated from another portfolio. Eastman topped its rank of the preceding quarter as number two favorite, vying with Mathieson for management's approval as five trusts also acquired a total of 17,600 shares. There was one offsetting sale. Interest picked up in Hercules, four companies acquiring 1,300 shares, one of which made an initial purchase. A block of 400 shares was eliminated from the list of another fund.

DuPont, reigning favorite during the first three quarters of 1953, had to be content with sharing this second rank in the final period of last year as four trusts added a total of 21,300 shares. One portfolio decrease and another elimination equaled 8,300 shares. American Agricultural Chemical was liked by two managements. Three additions and two new commitments were made in Dow besides the stock received in the 2½% share distribution. Sellers predominated in Allied Chemical, albeit volume-wise one fund's 5,000-share purchase counterbalanced dribbling 1,200-share liquidation from three bearish funds.

Natural Gas Still Popular

Enthusiasm for the natural gas issues waned slightly during the final 1953 quarter, but this group still ranked well as fourth most popular with the investment companies. National Fuel Gas was best liked in this department (along with United Gas) five managements acquiring a total of 25,000 shares, four making new purchases. There was a complete absence of selling. Four funds each bought Columbia Gas System, Panhandle Eastern Pipe Line (top favorite in the preceding period) and Republic Natural Gas. Acquisitions totaled 44,200, 7,451 and 2,500 shares respectively. Three trusts added a total of 2,700 shares of Shamrock Oil and Gas, while one 1,000 share block was sold from a fourth portfolio. El Paso Natural Gas, Oklahoma Natural Gas and Tennessee Gas Transmission were each added to two lists.

United Gas deserves somewhat special consideration since 4,240 shares of total portfolio additions of 15,624 shares were received as stock distributions from Electric Bond and Share. Five of the 10 increases in holdings, however, did come via outright purchase. No concentrated selling was evident in this group during the period under review.

Foods Perform Well

Probably the star performer of the year in consistently ranking as best-liked issue in its category was United Fruit. Purchased by

Continued on page 27

Balance Between Cash and Investments of 63 Investment Companies

End of Quarterly Periods September and December, 1953

	Net Cash & Governments Thousands of Dollars —End of—		Net Cash & Governments Per Cent —End of—		Investment Bonds and Preferred Stocks Per Cent * —End of—		Com. Stks. Plus Lower Grade Bonds & Pfds. Per Cent —End of—	
	Sept.	Dec.	Sept.	Dec.	Sept.	Dec.	Sept.	Dec.
Open-End Balanced Funds:								
American Business Shares	7,943	8,082	22.4	23.0	27.9	26.5	49.7	50.5
¶Axe-Houghton Fund "A"	5,915	6,628	18.9	20.4	35.6	36.1	45.5	43.5
Axe-Houghton Fund "B"	1,303	1,164	4.8	4.1	29.3	27.5	65.9	68.4
Boston Fund	1,500	3,452	1.7	3.6	41.3	39.1	57.0	57.3
Commonwealth Investment	4,255	5,303	6.9	8.0	26.2	25.1	66.9	66.9
Diversified Investment Fund—Diversified Funds, Inc.	376	371	1.2	1.1	27.4	26.4	71.4	72.5
‡Dreyfus Fund	365	25	25.0	1.6	18.8	5.4	56.2	93.0
Eaton & Howard Balanced	9,777	7,978	10.2	7.8	31.4	31.3	58.4	60.9
Fully Administered Fund—Group Securities	2,058	2,029	31.7	30.9	9.0	9.1	59.3	60.0
General Investors Trust	283	205	13.5	9.5	15.6	15.2	70.9	75.3
Investors Mutual	10,055	11,295	2.1	2.2	34.7	33.7	63.2	64.1
Johnston Mutual Fund	338	372	15.2	15.2	27.0	27.1	57.8	57.7
¶†Mutual Fund of Boston	17	31	0.9	1.6	44.3	43.9	54.8	54.5
National Securities—Income	748	969	2.5	3.0	16.0	14.3	81.5	82.7
Nation Wide Securities	2,685	3,176	14.3	16.4	30.5	29.7	55.2	53.9
George Putnam Fund	5,001	5,559	8.0	8.3	25.2	24.5	63.8	67.2
Scudder, Stevens & Clark	3,661	2,442	9.6	6.2	39.2	41.2	51.2	52.6
Shareholders Trust of Boston	281	154	3.3	1.7	25.9	23.8	70.8	74.5
Stein Roe and Farnham Fund	1,658	1,790	23.5	25.1	26.8	23.7	49.7	51.2
Wellington Fund	31,676	36,013	12.1	12.8	27.3	29.2	60.6	58.0
Whitehall Fund	287	193	6.0	4.0	42.0	41.7	52.0	54.3
Wisconsin Investment Co.	518	538	10.5	10.2	2.3	1.4	87.2	88.4
Open-End Stock Funds:								
Affiliated Fund	8,133	5,572	3.4	2.2	None	None	96.6	97.8
§Axe-Houghton Stock Fund	488	777	9.0	13.9	34.3	29.7	56.7	56.4
Bowling Green Fund	124	94	16.9	13.3	17.5	17.8	65.6	68.9
Blue Ridge Mutual Fund	663	726	3.7	3.9	None	None	96.3	96.1
Broad Street Investing	805	2,221	2.5	6.4	10.0	9.2	87.5	84.4
Bullock Fund	1,578	2,543	11.2	16.9	0.1	0.1	88.7	83.0
Delaware Fund	265	428	1.8	2.7	4.6	4.6	93.6	92.7
de Vegh Mutual Fund	140	247	7.3	11.4	2.9	6.6	89.8	82.0
Dividend Shares	16,843	15,927	14.8	13.2	None	None	85.2	86.8
Eaton & Howard Stock	1,136	1,249	6.1	6.0	None	None	93.9	94.0
¶Fidelity Fund	4,342	3,781	5.3	4.1	1.4	1.2	93.3	94.7
Fundamental Investors	3,049	3,120	2.1	2.0	None	None	97.9	98.0
General Capital Corp.	2,733	2,876	21.1	20.9	None	None	78.9	79.1
Group Securities—Common Stock Fund	385	230	6.1	3.1	None	None	93.9	96.9
Incorporated Investors	7,037	6,611	5.8	5.0	None	0.2	94.2	94.8
Institutional Foundation Fund	93	79	3.9	3.1	14.5	11.4	81.6	85.5
Investment Co. of America	1,758	3,248	7.3	12.1	0.4	None	92.3	87.9
Investors Management Fund	279	292	2.2	2.1	None	None	97.8	97.9
Knickerbocker Fund	9,117	5,885	59.5	39.1	3.3	6.4	37.2	54.5
Loomis-Sayles Mutual Fund	7,382	8,593	24.0	26.6	24.5	23.8	51.5	49.6
Massachusetts Investors Trust	13,528	15,484	2.8	3.0	None	None	97.2	97.0
Mass. Investors Growth Stock Fund	815	---	2.1	---	None	---	97.9	---
Mutual Investment Fund	336	456	11.2	13.6	35.0	32.9	53.8	53.5
National Investors	343	365	1.2	1.2	None	None	98.8	98.8
National Securities—Stock	1,847	2,433	3.0	3.6	None	None	97.0	96.4
New England Fund	1,956	1,707	31.4	25.8	5.0	10.2	63.6	64.0
Scudder, Stevens & Clark—Common Stock Fund	172	294	3.6	5.7	None	None	96.4	94.3
Selected American Shares	2,241	5,285	8.9	19.5	None	None	91.1	80.5
Sovereign Investors	8	18	1.2	2.5	6.6	3.7	92.2	93.8
State Street Investment Corp.	21,962	22,789	20.9	20.8	0.1	0.1	79.0	79.1
Wall Street Investing Corp.	805	791	23.0	21.3	None	None	77.0	78.7
Closed-End Companies:								
Adams Express	2,588	2,446	5.4	5.0	0.8	0.8	93.8	94.2
American European Securities	559	247	5.1	2.2	10.7	10.4	84.2	87.4
American International	683	271	3.2	1.2	1.3	1.3	95.5	97.5
General American Investors	7,795	7,764	16.6	16.2	None	None	83.4	83.8
General Public Service	1,180	794	7.6	5.2	None	None	92.4	94.8
Lehman Corporation	17,636	14,962	13.3	10.5	None	None	86.7	86.6
National Shares Corp.	2,206	2,093	18.5	17.2	2.6	2.6	78.9	80.2
Tri-Continental Corp.	1,138	53	0.7	0.03	15.8	15.8	83.5	84.1
**U. S. & Foreign Securities	8,309	5,619	15.4	10.2	None	None	84.6	89.8
U. S. & International Securities	7,577	6,761	13.2	11.1	0.1	None	86.7	88.9

*Investment bonds and preferred stocks: Moody's Aaa through Ba for bonds; Fitch's AAA through BB and approximate equivalents for preferreds. †Name changed from Russell Berg Fund. ‡Name changed from Nesbett Fund. §Name changed from Republic Investors. ¶September figures corrected. **Portfolio exclusive of securities in subsidiary or associated companies.

SUMMARY

Changes in Cash Position of 62 Investment Companies

Open-End Companies:	Plus	Minus	Unchanged	Total
Balanced Funds	11	7	4	22
Stock Funds	15	9	6	30
Closed-End Companies	0	7	3	10
Totals	26	23	13	62

Changes in Common Stock Holdings of 46 Investment Management Groups

(September 30 — December 31, 1953)

Transactions in which buyers exceed sellers — or sellers exceed buyers — by two or more management groups. Issues which more managements sold than bought are in italics. Numerals in parentheses indicate number of managements making entirely new purchases or completely eliminating the stock from their portfolios.

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Agricultural Equipment		
9(4)	45,100	Deere and Co.	None	None
5(2)	24,000	International Harvester	1,000	1
		Auto and Auto Parts		
3	2,700	Electric Auto-Lite	None	None
6(2)	9,500	General Motors	100	1
2	600	Timken Roller Bearing	None	None
None	*None*	*Bohn Aluminum and Brass*	*2,700*	*2(1)*
None	*None*	*Briggs Manufacturing*	*13,500*	*2(1)*
None	*None*	*Rockwell Manufacturing*	*15,900*	*2(2)*
1	*500*	*Studebaker Corp.*	*8,900*	*3*
None	*None*	*Thompson Products*	*4,500*	*2*
		Aviation		
4(2)	19,600	Boeing Airplane	None	None
4(2)	14,800	North American Aviation	1,500	1
4(1)	10,300	Sperry Corp.	6,500	2(2)
3(2)	*2,800*	*Douglas Aircraft*	*5,900*	*5(2)*
8	*5,650*	*Lockheed Aircraft*[1]	*13,300*	*4(2)*
1	*500*	*United Aircraft*	*9,500*	*5(1)*
		Beverages		
4(1)	16,500	Canada Dry	None	None
3	3,200	Coca Cola	100	1(1)
3	2,500	National Distillers	None	None
None	*None*	*Hiram Walker*	*15,500*	*2(1)*
		Building Construction & Equipt.		
3	4,200	Armstrong Cork	None	None
9(3)	22,300	Carrier Corp.[2]	None	None
4(2)	13,081	Minneapolis-Honeywell	2,700	2
2(1)	1,500	United States Plywood	None	None
None	*None*	*American Seating*	*4,200*	*2(1)*
None	*None*	*General Portland Cement*	*3,600*	*3*
4(1)	*14,600*	*Johns-Manville*	*31,300*	*6(3)*
None	*None*	*National Lead*	*17,800*	*4*
None	*None*	*Simmons Co.*	*600*	*2(1)*
		Chemicals		
2(1)	1,100	American Agricultural Chemical	None	None
17(2)	14,537	Dow Chemical[3]	9,105	6(1)
4	21,300	duPont	8,300	2(1)
5	17,600	Eastman Kodak	830	1
4(1)	1,300	Hercules Powder	400	1(1)
5(3)	5,900	Mathieson Chemical	900	1(1)
3	2,670	Tennessee Corp.[4]	None	None
1(1)	*5,000*	*Allied Chemical and Dye*	*1,200*	*3(2)*
		Containers and Glass		
6(2)	36,900	Continental Can	5,200	4(1)
		Drug Products		
3(2)	11,300	Abbott Laboratories	300	1
3(1)	2,700	Mead Johnson and Co.	None	None
4(2)	6,400	Parke, Davis and Co.	None	None
3(1)	7,500	Sterling Drug	None	None
		Electrical Equipment		
4(1)	10,400	McGraw Electric	5,500	2
3(1)	3,000	Motorola	1,600	1
14(1)	20,235	Philco[5]	11,400	3(2)
3(1)	3,550	Sprague Electric	None	None
9	12,690	Sylvania Electric[6]	950	1
3	*33,000*	*General Electric*	*9,400*	*8(2)*
		Financial, Banking & Insurance		
2(1)	3,000	American Automobile Insurance	None	None
4(1)	16,700	Beneficial Industrial Loan[7]	None	None
4	12,700	C.I.T. Financial Corporation	2,500	2(2)
4(1)	17,500	Commercial Credit Co.	3,000	1
4	3,978	First National Bank—Boston[8]	2,776	1
2	2,200	Great American Insurance	None	None
2	1,500	Home Insurance	None	None
3	5,500	Household Finance	22	1
3	16,600	National Bank of Detroit[9]	None	None
		Food Products		
3(3)	9,900	Beatrice Foods	None	None
2(1)	3,810	Gerber Products	None	None
2(1)	8,965	Kellogg Company	None	None
2	4,400	Quaker Oats	None	None
7	13,100	United Fruit	1,000	1
		Machinery & Industrial Equipt.		
5(3)	6,700	Allis Chalmers	6,000	2(1)
4(2)	5,240	Babcock and Wilcox[10]	None	None
2	1,900	Blaw-Knox	None	None
7	3,790	Combust. Engin.-Superheater[11]	2,000	1(1)
4(2)	36,200	Food Machinery & Chemical	6,400	1
None	*None*	*National Acme*	*900*	*2(1)*
1	*700*	*Worthington Corp.*	*3,700*	*3(1)*
		Metals and Mining		
4	3,849	American Metal Co.[12]	None	None
4(1)	16,200	American Smelting & Refining	None	None
7(4)	14,100	Kennecott Copper	6,500	4(2)
5(1)	17,400	Phelps Dodge	1,000	2
2	*5,000*	*Aluminium, Ltd.*	*14,140*	*8(3)*
None	*None*	*New Jersey Zinc*	*2,100*	*2*
None	*None*	*Pittsburgh Consolidation Coal*	*7,900*	*2(1)*

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Office Equipment		
5	3,553	Addressograph-Multigraph[13]	None	None
11	4,763½	Internat'l Business Machines[14]	2,615	2(1)
3	3,200	Remington Rand	None	None
6	*11,410*	*National Cash Register*[15]	*13,000*	*2*
		Paper and Printing		
2	2,400	Champion Paper and Fibre	None	None
4(3)	22,300	Crown Zellerbach	500	1(1)
3	3,099½	Mead Corp.[16]	None	None
None	*None*	*Abitibi Power and Paper*	*12,800*	*2(1)*
None	*None*	*Dobeckmun Co.*	*1,600*	*2*
3	*1,980*	*International Paper*[17]	*27,350*	*7*
None	*None*	*McGraw-Hill Publishing*	*6,100*	*2(1)*
None	*None*	*West Virginia Pulp & Paper*[18] *(new)*	*8,500*	*2*
None	*None*	*Scott Paper*	*2,200*	*2*
		Petroleum		
5	12,800	Amerada	5,800	1
2	10,500	Creole Petroleum	None	None
8	8,801	Gulf Oil[19]	42,096	6(2)
3	4,000	Honolulu Oil Corp.	None	None
2(1)	10,700	Houston Oil	None	None
3	19,900	Louisiana Land & Exploration	None	None
4	18,000	Mid-Continent Petroleum	1,000	1
2(1)	1,700	Mission Corp.	None	None
3	32,200	Ohio Oil	9,400	1
2	3,600	Richfield Oil	None	None
6	11,072	Signal Oil and Gas "A"[20]	60	1
3	8,100	Standard Oil of Indiana	3,500	1
3	12,000	Texas Company	1,100	1(1)
2(1)	15,400	Texas Gulf Sulphur	None	None
6	17,300	Union Oil of California[21]	None	None
1	*6,500*	*Continental Oil (Del.)*	*16,300*	*3(1)*
None	*None*	*International Petroleum*	*22,200*	*3(3)*
2	*6,500*	*Phillips Petroleum*	*9,000*	*4(2)*
None	*None*	*Skelly Oil*	*19,000*	*3(1)*
		Natural Gas		
4(2)	44,200	Columbia Gas System	None	None
2	5,000	El Paso Natural Gas	None	None
5(4)	25,000	National Fuel Gas	None	None
2	1,600	Oklahoma Natural Gas	None	None
4	7,451	Panhandle Eastern Pipe Line	1,872	2
4	2,500	Republic Natural Gas	3,100	2(1)
3	2,700	Shamrock Oil and Gas	1,000	1(1)
2	3,110	Tennessee Gas Transmission	None	None
10	15,624	United Gas Corp.[22]	49,225	3
		Public Utilities		
4	11,900	American Tel. & Tel.	100	1
2	1,200	California Oregon Power	None	None
2	2,223	Central Illinois Light Co.	None	None
2	8,000	Central Illinois Public Service	None	None
2(1)	2,500	Cleveland Electric Illuminating	None	None
6(3)	30,500	Columbus & Southern Ohio Elec.	None	None
4	15,900	Commonwealth Edison	2,800	2(1)
2	25,500	Cons. Gas Elec. Lt. & Pwr. Balto.	None	None
5(1)	20,858	Delaware Power and Light[23]	14,700	1(1)
9(2)	56,020	Florida Power Corp.[23]	None	None
6(1)	58,200	General Public Utilities	41,600	4(3)
3	10,800	Illinois Power	2,000	1
2	2,500	Interstate Power	None	None
2(2)	19,200	Iowa Electric Lt. and Pwr.	None	None
3(1)	4,000	Iowa-Illinois Gas & Electric	7,900	1
2	27,400	Long Island Lighting	None	None
4	42,650	New England Electric System	None	None
2	3,404	New England Gas & Electric[23]	None	None
5	23,400	New York State Electric & Gas[23]	None	None
5(1)	29,500	Pacific Gas and Electric[23]	None	None
2(1)	8,000	Public Serv. of New Hampshire	None	None
4	11,800	Southern California Edison	400	1(1)
4(3)	32,750	Union Electric of Missouri[24]	None	None
2(1)	*1,650*	*American Gas & Electric*	*37,100*	*5(1)*
1	*8,000*	*Central & Southwest Corp.*	*8,500*	*3(1)*
None	*None*	*Cincinnati Gas & Electric*	*12,900*	*3(1)*
1	*3,000*	*Consolidated Edison of N. Y.*	*10,000*	*3(3)*
None	*None*	*Gulf States Utilities*	*16,900*	*3(1)*
1(1)	*600*	*Kansas City Power & Light*	*13,600*	*4(1)*
None	*None*	*Minnesota Power & Lgt.*[25] *(old)*	*22,000*	*1(1)*
		(new)	*700*	*1*
None	*None*	*Niagara Mohawk Power*	*2,100*	*2(1)*
None	*None*	*Ohio Edison*	*6,200*	*4(3)*
1	*12,000*	*Public Service Elec. & Gas*	*28,600*	*3(3)*
		Radio and Amusement		
3(1)	27,635	Am. Broadcast-Param't Theatres	4,000	1
2	800	Paramount Pictures Corp.	None	None
		Railroads		
4(1)	3,700	Atchison, Topeka & Santa Fe	1,000	2
3	3,300	Atlantic Coast Line	3,500	1(1)
3(1)	7,000	Illinois Central	3,900	1(1)
3(1)	15,300	N. Y., Chicago and St. Louis	500	1(1)
5(2)	10,300	Northern Pacific	None	None
5(3)	12,900	Seaboard Air Line	1,050	2
None	*None*	*New York Central*	*9,500*	*2*
None	*None*	*Southern Pacific*	*10,300*	*5(2)*
None	*None*	*Southern Railway*	*5,800*	*4*
		Railroad Equipment		
2(1)	2,500	Pullman	None	None
2	1,500	Westinghouse Air Brake	None	None

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Retail Trade		
5	5,570	American Stores[26]	150	1
3	22,600	Green (H. L.) Co.	None	None
2(1)	8,000	Lerner Stores	None	None
3	4,300	Murphy (G. C.) Co.	None	None
4(1)	3,000	Safeway Stores	2,400	2(2)
4(1)	*5,300*	*Allied Stores*	*22,900*	*7(5)*
None	*None*	*Sears Roebuck*	*500*	*2*
		Rubber and Tires		
2	*2,500*	*Goodrich*	*18,700*	*6(1)*
13(1)	*19,374*	*Goodyear[27]*	*12,168*	*7(4)*
		Steels		
10	2,265	Allegheny Ludlum Steel[28]	2,566	2
8(2)	44,500	Bethlehem Steel	1,500	2(2)
4(2)	9,100	Inland Steel	5,000	1(1)
6(2)	43,700	United States Steel	17,500	3(3)
3(1)	3,400	Youngstown Sheet and Tube	None	None
None	*None*	*Wheeling Steel Corp.*	*6,900*	*2(1)*
		Textiles		
6(3)	19,000	American Viscose	16,700	4(2)
3	6,500	Cluett Peabody	None	None
4(1)	9,500	Industrial Rayon	None	None
2(1)	4,600	Pacific Mills	None	None
2	1,400	Robbins Mills	None	None
1(1)	*500*	*Celanese Corp. of America*	*63,000*	*5(3)*
None	*None*	*Cone Mills*	*13,000*	*2(2)*
None	*None*	*M. Lowenstein*	*4,600*	*2(1)*
		Tobaccos		
5(3)	12,400	P. Lorillard and Co.	3,000	1(1)
1	*500*	*American Tobacco*	*32,500*	*3(1)*
		Miscellaneous		
None	*None*	*General Dynamics Corp.*	*8,100*	*2*

—FOOTNOTES—

1 3,490 shares received as a 5% stock dividend.
2 9,400 shares purchased through distributed rights.
3 9,121 shares represent 2½% stock dividend.
4 2,045 shares distributed as 5% dividend.
5 5% stock distribution equals 7,795 shares.
6 10% stock dividend totals 12,150 shares.
7 Part purchased through rights. Basis: 1 for 10.
8 3,610 8/13 shares represent 1 for 13 stock distribution.
9 Purchased through rights. Basis: 1 for 2.
10 240 shares received as 5% stock dividend.
11 5% stock declaration equals 4,215 shares.
12 5% stock dividend totals 3,149 shares.
13 1,775½ shares distributed as 2½% dividend.
14 1,938½ shares represent 2½% stock dividend.
15 New stock received in 10% distribution.
16 Includes stock dividend.
17 Excluding additions from 10% share distribution.
18 Excludes stock received in 4 for 1 split-up.
19 Shares received from 4% stock declaration not included.
20 10,017 shares represent additions from 3 for 1 split-up.
21 10% stock dividend totals 4,400 shares.
22 4,240 shares represent 1 for 17 stock dividend from Electric Bond and Share.
23 Part purchased through rights.
24 Distribution from North American Co.
25 Excluding additions from 2 for 1 split-up.
26 3,940 shares received as 5% stock dividend.
27 3% stock distribution totals 8,963 shares.
28 2% distribution of stock represented by 1,695 shares.

NOTE—This survey covers 64 investment companies, but purchases or sales of funds sponsored by the same management are treated as a unit. For example, the three companies sponsored by Calvin Bullock are considered as having the weight of one manager. Individual portfolio changes in Loomis-Sayles Mutual Fund are not surveyed, but those of Overseas Securities (which does not appear in the companion table) are included.

—SUMMARY—

Excess of Net Portfolio Purchases or Sales of 62 Investment Companies

	Bought	Sold	Matched	Total
Open-End Companies:				
Balanced Funds	11	5	6	22
Stock Funds	16	8	6	30
Closed-End Companies	0	6	4	10
Totals	27	19	16	62

Continued from page 25

Funds Increase Utility Purchases

six managements in the first 1953 quarter, eight in the June period, six again in the September quarter and currently by seven, its price had probably more than discounted what uneasiness might have been felt over the Guatemalean political situation. Fourth quarter acquisitions totaled 13,100 shares with one offsetting sale of a 1,000 share block.

Beatrice Foods also was extremely well thought of, three acquisitions totaling 9,900 shares all representing initial portfolio commitments. None of this issue was sold during the period. Two trusts each purchased Gerber Products, Kellogg Company and Quaker Oats. There were no sales in these three stocks either, and, in fact, no concentrated selling on balance in any issue of the food group during the December quarter.

Selective Attitude Toward Merchandisers

Buyers currently slightly favored the merchandising issues after being on the fence in the previous period; but purchases were extremely selective. A food chain, Safeway, was liked by four managements, although two others eliminated this stock from their holdings. H. L. Green, and Murphy were each acquired by three managements with no offsetting sales. A couple of funds also liked Lerner while the same number of trusts added stock of American Stores in addition to that received as a 5% stock dividend. Allied Stores, a former favorite, bore the brunt of concentrated selling, five complete portfolio eliminations and two decreases totaling 22,900 shares. Four acquisitions equaled 5,300 shares.

Sears Roebuck was sold on light balance by two managements. However, opinion was fairly well split on Montgomery Ward, two additions totaling 2,100 shares offsetting a complete elimination of a 1,000 share block. Sentiment was also divided between four trusts on either side of the market in Federated Department Stores, but it is interesting to note that one-third of selling transactions in the merchandising group during the period was concentrated in the shares of this department store chain and Allied.

Steels Become Popular

The reversal of outlook on the steels from that of the September period was one of the most interesting aspects of fund operation during the three months under review. An even division of opinion on Bethlehem during the preceding quarter currently was altered to the extent that eight trusts acquired 44,500 shares, two making new purchases. Selling was confined to two portfolio eliminations totaling 1,500 shares.

Management also changed its mind on an over-all basis on United States Steel, six additions equaling 43,700 shares, two representing initial commitments. Three trusts, however, did clean out 17,500 shares from holdings. Also liked were Inland, by four companies, and Youngstown Sheet and Tube by three. There was no selling in the latter issue and only liquidation on balance in the group was in two portfolio holdings of Wheeling.

There was a little more interest in the buying of the drug stocks than in the three months earlier. Parke Davis was acquired by four funds, two making new commitments. Purchases totaled 6,400 shares with no offsetting sales. Also each liked by three managements were Sterling Drug, Abbott Laboratories and Mead Johnson (sometimes grouped with the food products). There was no concentrated selling.

Textile Interest

Evidently feeling that market quotations had reflected the worst, trusts bought textile stocks on balance, although there was concentrated selling in Celanese, which had been least popular issue in the group throughout the entire year of 1953. American Viscose was the favorite with the managers, six buying 19,000 shares, three making initial commitments. Offsetting were four sales equaling 16,700 shares. Industrial Bayon was liked by four trusts and Cluett Peabody by three. A couple of purchases were made of Pacific Mills and Robbins Mills. Sold on balance in addition to Celanese were Cone Mills and M. Lowenstein, each by two funds.

Machinery issues also met with approval in several management quarters as two portfolio additions and three new commitments were made in Allis Chalmers. Volume was matched by two offsetting sales equaling 6,000 shares. Food Machinery was liked with four acquisitions split between additions to existing holdings and initial purchases. A few funds added shares of Babcock and Wilcox and Combustion Engineering to that received in the 5% stock dividends. Selling on balance appeared in Worthington and National Acme.

Management went to the bargain counter to pick up depressed issues among the agricultural equipments. Nine purchases were made of Deere, four representing initial commitments, and five acquisitions occurred in International Harvester. Only one block of this latter equipment was sold and none of Deere.

North American, best-liked among the aviation manufacturers in the September quarter, currently shared popularity with Boeing and Sperry, four trusts buying each of these issues. Douglas, as well as United Aircraft, however, was sold on balance by five managements. Disregarding new stock received as a dividend, Lockheed also was unpopular, two portfolio decreases and a like number of elimination equaling 13,300 shares. No transport shares were bought on balance as was the case during the June, 1953 quarter.

Among the auto and auto parts issues, Studebaker was least popular, but not to the same degree as during the previous quarter. Also sold on balance, each by two funds, were Rockwell Manufacturing, Briggs, Bohn Aluminum and Thompson Products. General Motors was a favorite issue as it had been during the second and third periods of the year, six funds acquiring 9,500 shares. One small 100 share block was sold. Also liked, but with less enthusiasm, were Electric Auto-Lite and Timken Roller Bearing. Both Goodyear and Goodrich in the tire and rubber group met with pronounced disfavor. Seven sales of the former almost equaled the six of Goodrich.

Selling of the Papers

Brunt of the selling in the paper stocks fell on International Paper, seven sales including two portfolio eliminations and five decreases in the new stock received as a 5% dividend. Also sold by two trusts each were Abitibi Power and Paper, Dobeckmun, Scott Paper and West Virginia Pulp and Paper, the latter having split its shares four for one. Crown Zellerbach was the favorite in this group, three funds making new commitments and a fourth adding to existing holdings. Also bought on balance was Champion Paper and Fibre.

Finance Companies Bought

Both major finance companies, C. I. T. Financial and Commercial Credit, were bought by four managements, acquisitions of the former totaling 12,700 shares and of the latter, 17,500. A portfolio decrease of Commercial Credit compared with eliminations from two lists of C. I. T. Also liked by four trusts was Beneficial Industrial Loan (part of which was purchased through rights), while Household Finance was added to three portfolios.

Insurance issues, as usual, were featured by scattered purchases. Two companies each, however, bought American Automobile, Great American and Home. Transactions in bank stocks were colorless, although a little additional stock was added to that received as a share dividend from the First National of Boston, as well as to the National Bank of Detroit common purchased through rights.

Carrier featured in the building group, although almost half of the acquisitions were stimulated by the exercise of rights. Carrier had been second favorite in the group during the first half of 1953 and one of the only two building shares to be bought on balance during the September quarter. Also favored by bulls currently were Minneapolis-Honeywell, Armstrong Cork and United States Plywood. Johns-Manville was the least popular issue in this division as it had been in the previous period. Six trusts sold a total of 31,300 shares, half of which completely eliminated the stock from their portfolios. Also in disfavor were National Lead, General Portland

Continued on page 28

Continued from page 27

Funds Increase Utility Purchases

Cement, American Seating and Simmons.

Some Rail Buying

Seaboard and Northern Pacific were the rail favorities during the last three months of 1953, as five purchases were made of each. Acquisitions of the former equaled 12,900 shares and of "Nipper," 10,300. Atchison, sharing honors with Southern Pacific as best-liked carrier in the September quarter, was currently bought by four managements while three purchases each were made of Atlantic Coast Line, Illinois Central and Nickel Plate. Southern Pacific, sold by five trusts, was the most unpopular issue in the carrier division, with Southern and New York Central also lightened on balance.

General Electric, upon which opinion had been divided in the previous quarter, was sold on balance during the current period, evidently largely representing profit-taking on the extreme run-up in price. Best-liked in the group were McGraw Electric, Sprague and Motorola. Three purchases were made of both Philco and Sylvania to add to the new stock distributed by both companies as dividends.

Kennecott was by far the most popular issue in the non-ferrous metal group, seven trusts acquiring 14,100 shares, four making new commitments. Phelps Dodge was also well bought, five additions equaling 17,400 shares. 16,200 shares of American Smelting represented four acquisitions, while two funds added to American Metal stock received as a dividend. Liquidation was concentrated in Aluminium, Ltd., as it had been in the September quarter. Eight managements disposed of 14,140 shares, three entirely eliminating the issue from their portfolios. A couple of trusts also sold New Jersey Zinc and Pittsburgh Consolidation Coal.

Six companies purchased 36,900 shares of Continental Can, but opinion was divided on American Can with volume relatively light. Both American Broadcasting-Paramount Theatres and Paramount Pictures Corp. were bought on balance during this final quarter of the year 1953.

The Timely Liquidation

There has, of course, been considerable curiosity in the investment community concerning how the funds fared midst the public alarm over the publicity given to alleged correlation between smoking and cancer. Scrutiny of this situation shows some managements to advantage in having taken timely action. For example, one important fund, which disposed of 85% of its tobacco holdings, accomplished most of its liquidation before the appearance of the unfavorable news stories.

In some quarters the question of the size of funds is also brought to mind by the drastic market decline in Chrysler. Actually one fund, holding a block of 95,000 shares, accomplished a partial orderly reduction of the block, selling 5,000 shares in the second quarter of 1953, 10,000 shares in the September quarter, and 5,000 shares in the final period.

Even though fund managements escaped trouble in these important tests, the advantage of diversification among industries as well as issues (as it is, in fact, broadly practised by managements) is again highlighted.

Size and Performance

As mentioned in this survey from time to time, we have not been able to recognize any correlation between large size and degree of achievement in management performance. For example, during the two-year period ending on Dec. 31, 1953, an admittedly difficult one, although too short to make a final management appraisal, three funds of complete divergence in size, outperformed both the averages and other trusts in increasing principal. These were State Street Investment Corp. with assets at the year-end of $106.9 million, Eaton and Howard Stock Fund with $20.8 million and Wall Street Investing Corp. with a portfolio valued at $3.7 million. Employee thrift plan executives, legislators writing modified prudent man legislation to guide trustee investment and others similarly situated may well ponder the wisdom of minimum size limitations in making mutual fund investments.

In addition to its recent performance, Eaton and Howard Stock Fund (as well as American Business Shares and the Mutual Fund of Boston) was quite exceptional among the investment companies by **not** paying out any capital gains distribution during the year 1953. Charles F. Eaton, Jr., Chairman of the Trustees, explains thus: "We are glad to report that a distribution of realized profits this year was avoided by offsetting gains realized in the earlier part of the year. Such procedure is normally followed by informed investors each year, when they can do so without disadvantage to their investment holdings. The taxes and other costs saved remain invested for the production of income and possible future profits. While some investors may not be particularly conscious of the benefits of such savings, they should realize that this procedure, when possible, is to their advantage."

Mr. Eaton, when queried at the Mutual Funds Conference in Boston last October, also expressed his disapproval of the use of formula timing plans by investment management. Subsequently, Max Nydegger, President of Mutual Investment Fund, in his annual report to shareholders stated: "At a special meeting of Shareholders held on Dec. 2, 1953, of those shares of the Fund voted, approximately 95% approved a resolution providing for the elimination of the 'Formula Timing Plan' used since 1948 as a basic investment guide in determining the percentage of the Fund's assets that could be invested in common stocks, preferred stocks or bonds, at specified price levels of the market. . . . We assure you that elimination of the 'Formula Timing Plan' does not signify any intent of your management radically to revise its investment policy and that such modifications, as approved by the shareholders, are for the purposes of adjusting the investment procedure of the Fund to better meet current conditions. . . ."

Eisenhower's National Health Program

In special message to Congress, President Eisenhower urges continuation of present Federal activities, and recommends a system of Federal guarantees of health insurance, with added assistance in construction of non-profit diagnostic and treatment centers for ambulatory patients. Outlines a new Grant-in-Aid approach.

On Jan. 18, President Dwight D. Eisenhower submitted to Congress a special message in which he revealed his views and recommendations regarding Federal medical aid and activities and the means to be used in solving the nation's health problems.

The text of the message follows:

I submit herewith for the consideration of the Congress recommendations to improve the health of the American people.

Pres. Eisenhower

Among the concerns of our government for the human problems of our citizens, the subject of health ranks high. For only as our citizens enjoy good physical and mental health can they win for themselves the satisfactions of a fully productive, useful life.

The Health Problem

The progress of our people toward better health has been rapid. Fifty years ago their average life span was 49 years; today it is 68 years. In 1900 there were 676 deaths from infectious diseases for every 100,000 of our people; now there are 66. Between 1916 and 1950, maternal deaths per 100,000 live births dropped from 622 to 83. In 1916, 10% of the babies born in this country died before their first birthday; today, less than 3% die in their first year.

This rapid progress toward better health has been the result of many particular efforts, and of one general effort. The general effort is the partnership and teamwork of private physicians and dentists and of those engaged in public health, with research scientists, sanitary engineers, the nursing profession and the many auxiliary professions related to health protection and care in illness. To all these dedicated people, America owes most of its recent progress toward better health.

Yet, much remains to be done. Approximately 224,000 of our people died of cancer last year. This means that cancer will claim the lives of 25,000,000 of our 160,000,000 people unless the present cancer mortality rate is lowered. Diseases of the heart and blood vessels alone now take over 817,000 lives annually. Over 7,000,000 Americans are estimated to suffer from arthritis and rheumatic diseases. Twenty-two thousand lose their sight each year. Diabetes annually adds 100,000 to its roll of sufferers. Two million of our fellow citizens now handicapped by physical disabilities could be, but are not, rehabilitated to lead full and productive lives. Ten million among our people will at some time in their lives be hospitalized with mental illness.

There exist in our nation the knowledge and skill to reduce these figures, to give us all still greater health protection and still longer life. But this knowledge and skill are not always available to all our people where and when they are needed. Two of the key problems in the field of health today are the distribution of medical facilities and the costs of medical care.

Not all Americans can enjoy the best in medical care—because not always are the requisite facilities and professional personnel so distributed as to be available to them, particularly in our poorer communities and rural sections. There are, for example, 159 practicing physicians for every 100,000 of the civilian population in the Northeast United States. This is to be contrasted with 126 physicians in the West, 116 in the North central area, and 92 in the South. There are, for another example, only four or five hospital beds for each 1,000 people in some States, as compared with 10 or 11 in others.

Even where the best in medical care is available, its costs are often a serious burden. Major, long-term illness can become a financial catastrophe for a normal American family. Ten percent of American families are spending today more than $500 a year for medical care. Of our people reporting incomes under $3,000, about 6% spend almost a fifth of their gross income for medical and dental care. The total private medical bill of the nation now exceeds $9 billion a year — an average of nearly $200 a family —and it is rising. This illustrates the seriousness of the problem of medical costs.

We must, therefore, take further action on the problems of distribution of medical facilities and the costs of medical care, but we must be careful and farsighted in the action that we take. Freedom, consent, and individual responsibility are fundamental to our system. In the field of medical care, this means that the traditional relationship of the physician and his patient, and the right of the individual to elect freely the manner of his care in illness, must be preserved.

In adhering to this principle, and rejecting the socialization of medicine, we can still confidently commit ourselves to certain national health goals.

One such goal is that the means for achieving good health should be accessible to all. A person's location, occupation, age, race, creed, or financial status should not bar him from enjoying this access.

Second, the results of our vast scientific research, which is constantly advancing our knowledge of better health protection and better care in illness, should be broadly applied for the benefit of every citizen. There must be the fullest cooperation among the individual citizen, his personal physician, the research scientists, the schools of professional education, and our private and public institutions and services — local, State, and Federal.

The specific recommendations which follow are designed to bring us closer to these goals.

Continuation of Present Federal Programs

In my Budget Message appropriations will be requested to carry on during the coming fiscal year the health and related programs of the newly-established Department of Health, Education, and Welfare.

These programs should be continued because of their past success and their present and future usefulness. The Public Health Service, for example, has had a conspicuous share in the prevention of disease through its efforts to control health hazards on the farm, in industry and in the home. Thirty years ago, the Public Health Service first recommended a standard milk sanitation ordinance; by last year this ordinance had been voluntarily adopted by 1,558 municipalities with a total population of 70 million people. Almost 20 years ago the Public Health Service first recommended restaurant sanitation ordinances; today 685 municipalities and 347 counties, with a total population of 90 million people, have such ordinances. The purification of drinking water and the pasteurization of milk have prevented countless epidemics and saved thousands of lives. These and similar field projects of the Public Health Service, such as technical assistance to the States, and industrial hygiene work, have great public value and should be maintained.

In addition, the Public Health Service should be strengthened in its research activities. Through its National Institutes of Health, it maintains a steady attack against cancer, mental illness, heart diseases, dental problems, arthritis and metabolic diseases, blindness, and problems in microbiology and neurology. The new sanitary engineering laboratory at Cincinnati, to be dedicated in April, will make possible a vigorous attack on health problems associated with the rapid technological advances in industry and agriculture. In such direct research programs and in Public Health Service, research grants to State and local governments and to private research institutions lies the hope of solving many of today's perplexing health problems.

The activities of the Children's Bureau and its assistance to the States for maternal and child health services are also of vital importance. The programs for children with such crippling diseases as epilepsy, cerebral palsy, congenital heart disease, and rheumatic fever should receive continued support.

Meeting the Cost of Medical Care

The best way for most of our people to provide themselves the resources to obtain good medical care is to participate in voluntary health insurance plans. During the past decade, private and non-profit health insurance organizations have made striking progress in offering such plans. The most widely purchased type of health insurance, which is hospitalization insurance, already meets approximately 40% of all private expenditures for hospital care. This progress indicates that these voluntary organizations can reach many more people and provide better and broader benefits. They should be encouraged and helped to do so.

Better health insurance protection for more people can be provided.

The government need not and should not go into the insurance business to furnish the protection which private and non-profit organizations do not now provide. But the government can and should work with them to study and devise better insurance protection to meet the public need.

I recommend the establishment of a limited Federal reinsurance service to encourage private and non-profit health insurance organizations to offer broader health protection to more families. This service would reinsure the special additional risks involved in such broader protection. It can be launched with a capital fund of $25 million provided by the government, to be retired from reinsurance fees.

New Grant-in-Aid Approach

My message on the State of the Union and my special message of Jan. 14, pointed out that Federal grants-in-aid have hitherto observed no uniform pattern. Response has been made first to one and then to another broad national need. In each of the grant-in-aid programs, including those dealing with health, child welfare and rehabilitation of the disabled, a wide variety of complicated matching formulas have been used. Categorical grants have restricted funds to specified purposes so that States often have too much money for some programs and not enough for others.

This patchwork of complex formulas and categorical grants should be simplified and improved. I propose a simplified formula for all of these basic grant-in-aid programs which applies a new concept of Federal participation in State programs. This formula permits the States to use greater initiative and take more responsibility in the administration of the programs. It makes Federal assistance more responsive to the needs of the States and their citizens. Under it, Federal support of these grant-in-aid programs is based on three general criteria:

First, the States are aided in inverse proportion to their financial capacity. By relating Federal financial support to the degree of need, we are applying the proven and sound formula adopted by the Congress in the Hospital Survey and Construction Act.

Second, the States are also helped, in proportion to their population, to extend and improve the health and welfare services provided by the grant-in-aid programs.

Third, a portion of the Federal assistance is set aside for the support of unique projects of regional or national significance which give promise of new and better ways of serving the human needs of our citizens.

Two of these grant-in-aid programs warrant the following further recommendations.

Rehabilitation of the Disabled

Working with only a small portion of the disabled among our people, Federal and State governments and voluntary organizations and institutions have proved the advantage to our nation of restoring handicapped persons to full and productive lives.

When our State-Federal program of vocational rehabilitation began in 1920, the services rendered were limited largely to vocational counseling, training and job placement. Since then advancing techniques in the medical and social aspects of rehabilitation have been incorporated into that program.

There are now 2,000,000 disabled persons who could be rehabilitated and thus returned to productive work. Under the present rehabilitation program only 60,000 of these disabled individuals are returned each year to full and productive lives. Meanwhile, 250,000 of our people are annually disabled. Therefore, we are losing ground at a distressing rate. The number of disabled who enter productive employment each year can be increased if the facilities, personnel and financial support for their rehabilitation are made adequate to the need.

Considerations of both humanity and national self-interest demand that steps be taken now to improve this situation. Today, for example, we are spending three times as much in public assistance to care for non-productive disabled people as it would cost to make them self-sufficient and tax-paying members of their communities. Rehabilitated persons as a group pay back in Federal income taxes many times the cost of their rehabilitation.

There are no statistics to portray the full depth and meaning in human terms of the rehabilitation program, but clearly it is a program that builds a stronger America.

We should provide for a progressive expansion of our rehabilitation resources, and we should act now so that a sound foundation may be established in 1955. My forthcoming Budget Message will reflect this objective. Our goal in 1955 is to restore 70,000 disabled persons to productive lives. This is an increase of 10,000 over the number rehabilitated in 1953. Our goal for 1956 should be 100,000 rehabilitated persons, or 40,000 persons more than those restored in 1953. In 1956, also, the States should begin to contribute from their own funds to the cost of rehabilitating these additional persons. By 1959, with gradually increasing State participation to the point of equal sharing with the Federal Government, we should reach the goal of 200,000 rehabilitated persons each year.

In order to achieve this goal we must extend greater assistance to the States. We should do so, however, in a way which will equitably and gradually transfer increasing responsibility to the States. A program of grants should be undertaken to provide, under State auspices, specialized training for the professional personnel necessary to carry out the expanded program and to foster that research which will advance our knowledge of the ways of overcoming handicapping conditions. We should also provide, under State auspices, clinical facilities for rehabilitative services in hospitals and other appropriate treatment centers. In addition, we should encourage State and local initiative in the development of community rehabilitation centers and special workshops for the disabled.

With such a program the nation could during the next five years return a total of 660,000 of our disabled people to places of full responsibility as actively working citizens.

Construction of Medical Care Facilities

The modern hospital—in caring for the sick, in research, and in professional educational programs—is indispensable to good medical care. New hospital construction continues to lag behind the need. The total number of acceptable beds in this nation in all categories of non-Federal hospital services is now about 1,060,000. Based on studies conducted by State hospital authorities, the need for additional hospital beds of all types — chronic disease, mental, tuberculosis, as well as general—is conservatively estimated at more than 500,000.

A program of matching State and local tax funds and private funds in the construction of both public and voluntary non-profit hospitals where these are most needed is therefore essential.

Since 1946, nearly $600 million in Federal funds have been allocated to almost 2,200 hospital projects in the States and Territories. This sum has been matched by over one and a quarter billion dollars of State and local funds. Projects already completed or under construction on Dec. 31, 1953, will add to our national resources 106,000 hospital beds and 464 public health centers. The largest proportion of Federal funds has been and is being spent in low-income and rural areas where the need for hospital beds is greatest and where the local means for providing them are smallest. This Federally stimulated accomplishment has by no means retarded the building of hospitals without Federal aid. Construction costing in excess of one billion dollars has been completed in the last six years without such aid.

Hospital construction, however, meets only part of the urgent need for medical facilities.

Not all illness need be treated in elaborate general hospital facilities, costly to construct and costly to operate. Certain non-acute illness conditions, including those of our hospitalized aged people, requiring institutional bed-care, can be handled in facilities more economical to build and operate than a general hospital, with its dignostic, surgical and treatment equipment and its full staff of professional personnel. Today beds in our hospitals for the chronically ill take care of only one out of every six persons suffering from such long-term illnesses as cancer, arthritis, and heart disease. The inadequacy of facilities and services to cope with such illnesses is disturbing. Moreover, if there were more nursing and convalescent home facilities, beds in general hospitals would be released for the care of the acutely ill. This would also help to relieve some of the serious problems created by the present short supply of trained nurses.

Physical rehabilitation services for our disabled people can best be given in hospitals or other facilities especially equipped for the purpose. Many thousands of people remain disabled today because of the lack of such facilities and services.

Many illnesses, to be sure, can be cared for outside of any institution. For such illnesses a far less costly approach to good medical care than hospitalization would be to provide diagnostic and treatment facilities for the ambulatory patient. The provision of such facilities, particularly in rural areas and small isolated communities, will attract physicians to the sparsely settled sections where they are urgently needed.

I recommend, therefore, that the Hospital Survey and Construction Act be amended as necessary to authorize the several types of urgently needed medical care facilities which I have described. They will be less costly to build than general hospitals and will lessen the burden on them.

I present four proposals to expand or extend the present program:

(1) Added assistance in the construction of non-profit hospitals for the care of the chronically ill. These would be of a type more economical to build and operate than general hospitals.

(2) Assistance in the construction of non-profit medically supervised nursing and convalescent homes.

(3) Assistance in the construction of non-profit rehabilitation facilities for the disabled.

(4) Assistance in the construction of non-profit diagnostic or treatment centers for ambulatory patients.

Finally, I recommend that in order to provide a sound basis for Federal assistance in such an expanded program, special funds be made available to the States to help pay for surveys of their needs. This is the procedure that the Congress wisely required in connection with Federal assistance in the construction of hospitals under the original Act. We should also continue to observe the principle of State and local determination of their needs without Federal interference.

* * *

These recommendations are needed forward steps in the development of a sound program for improving the health of our people. No nation and no administration can ever afford to be complacent about the health of its citizens. While continuing to reject government regimentation of medicine, we shall with vigor and imagination continuously search out by appropriate means, recommend, and put into effect new methods of achieving better health for all of our people. We shall not relax in the struggle against disease. The health of our people is the very essence of our vitality, our strength and our progress as a nation.

I urge that the Congress give early and favorable consideration to the recommendations I have herein submitted

DWIGHT D. EISENHOWER

The White House,
Jan. 18, 1954.

Public Utility Securities

By OWEN ELY

1954 Outlook for Electric Utilities

Fischer Black, Editor of the "Electrical World," recently gave an interesting talk on the outlook for the electric light and power industry before the New York Society of Security Analysts, which may be summarized as follows:

A significant news item was the President's proposal to switch 600,000 kw of Atomic Energy Commission load from the TVA to private utilities by 1957, so as to permit TVA to serve other customers without adding more steam capacity (TVA has already reached its limit in availability of cheap power for industrial customers). Mr. Black added that "the determination of the Interior Department to remove the Federal Government from the position of having a primary responsibility for power supply is one of the important developments in the past 12 months."

Nineteen fifty-three was a record year in many ways. About 8.7 million kw was added to generating capacity — two million more than in any previous year. Capital expenditures were $2.9 billion for power companies, and $1.2 billion for other utilities. Use of fuel was reduced to 1.07 pounds of coal per kwh. New financing reached a peak of almost $2 billion. Electric revenues were 1.85% of the gross national product, the highest ratio to date.

Electric output was 43 billion kwh, up 10%. The 1953 peak load increased 7.6%—a little disappointing due to falling off of industrial production in December. Peak output increased about 6 million kw, compared with 8.7 million increased capacity—indicating that reserve capacity had increased faster than expected. The gain in residential customers was only 1,200,000 compared with an increase of over 2 million in 1950; with 98% of all occupied homes now electrified, growth in customers tends to equal the number of new homes built. However, the increase in annual customer usage of 181 kwh (bringing the average up to 2,350) set a new record, and the average yearly residential bill also reached a new high of about $65—despite the fact that the average kwh rate dropped to a new low of about 2.75¢.

Commercial business has not been keeping up with residential, since it does not reflect the use of new appliances—but greater acceptance of year-round air-conditioning may in future cause commercial customer sales to grow more rapidly.

In 1954 there will be considerable interest in the trend of industrial use of electricity. Historically, sales to industrial customers have increased from 3% to 5% faster than the increase in industrial production; while on the downside during depressions, sales have decreased at only half the rate of decline in production. In 1953 industrial power sales increased 13% vs. an 8% gain in industrial production; if this rate of electrification of industry is maintained, industrial production could drop more than 5% before industrial use of electricity would begin to decline.

Will the increase in the percentage of reserve capacity mean a decrease in earnings, since less electricity will be produced per unit of capacity? Mr. Black thought that improvements in system load characteristics, similar to those in the recent past, might act as a counter-influence.

In 1953 the electric utilities' fuel bill went up 12%, but due to a 3% gain in efficiency fuel generation increased 15%. Thus, production costs dropped from 3.3 mills to 3.2 mills per kwh. While the total cost of fuel has changed relatively little in the past four years, nevertheless fuel has tended to become a higher percentage of total costs as average customer rates decline. However, this tendency has been offset by reduction in the fuel consumption rate from 1.30 pounds of coal per kwh in 1948 to 1.07 pounds in 1953.

Rate increases granted in 1953 amounted to $20 million which was below average for the previous five years; however, pending increases amount to $50 million.

Construction expenditures reached a new top in 1953, but 1954 seems likely to set another record. The greatest rate of growth appears to be in the East North Central area since this includes the huge plants being built by the Ohio Valley Electric Company to serve the AEC.

Mr. Black considered it important from here on to watch the utilities with big interest credits and heavy construction programs. If there should be any real recession and the companies do not have a market for their additional power when the capacity becomes available, the interest credits might not be replaced by real earnings.

Continued from page 2

The Security I Like Best

one structure on each block but had to give up the option and turn over the seismic data due to pressure of other commitments.

Gridoil's parent, Anglo American Explorations, which owns about two-thirds of the outstanding shares, took over the drilling plan, and found oil in two horizons at Gull Lake South in its first well. The initial venture at Crane Lake was dry, so the rig was moved to Gull Lake to accelerate development there. To date, 13 productive wells have been brought in at Gull Lake South out of a total of 15 drilled. Due to the proximity of the Canadian Pacific Railroad tracks to the northern sector of the block, the upper anomaly was drilled, and an even more promising field was discovered, North Gull Lake. Whether or not later developments will prove these both to be one large field will have to await further testing by the drill.

North Gull Lake production comes from two or three horizons, and has in most of the wells drilled to date indicated a sizable flow of natural gas. It appears somewhat similar to the Socony Group Cantuar field a couple of townships further north in which the Link-Downing World Petroleum Survey of June, 1953 estimates 114 million barrels of crude. A few months ago, the Socony South East Midway Wildcat, located a mile north of Gridoil's acreage and three miles north of Grid's tested property, was successful. This indicates that it is highly probable that most of Grid's acreage still to be tested in North Gull Lake will be productive. In North Gull Lake, the score to date is 18 producers and two dry holes.

Gridoil now has 17 wholly-owned wells and a 50% interest with Anglo American in 14 others. Average production potential is in excess of 100 barrels daily per well. Drilling is proceeding on Gridoil's wholly-owned acreage in North Gull Lake. Money for this drilling is being advanced by Anglo.

During the week of Aug. 20, 1953, one section of land, 640 acres, in the Fosterton field, which is similar in many respects to Gridoil's area but more fully developed, was bid in at a Crown auction by Sohio and Socony for approximately $2¼ million, even though the single square mile involved was offset by dry holes to the north and west and one mile south. At Gull Lake alone, Gridoil has 10¼ wholly-owned sections and a half interest in eight others.

Although Gridoil's ratio of successful wells to date has indicated that several times as many locations will be proved up as are now producing, no accurate prediction can be made of the ultimate potential. About 1,000 barrels of medium gravity oil are now being shipped out by rail, but the comparatively high cost of rail shipment makes this method of transportation less profitable than by pipelining it to refineries. However, this rate of shipment will probably be doubled in the near future and should bring about $3,000 daily into the company. Indications now are that a pipeline to the area will be started this year. Completion of this will greatly facilitate shipments and, of course, vastly improve the profit potential. In this regard, being a controlled subsidiary of Anglo American, Gridoil has a favorable position from a marketing standpoint. Last year, Anglo purchased Gas & Oil Products, Inc. which owns 658 retail outlets. Anglo also has a 2,500 barrel a day refinery in Alberta and is in a position to trade crude.

While the initial successes in locating oil took place in Western Saskatchewan, exploration is becoming more intensive in the eastern part of the province and in neighboring Manitoba. It is the feeling of the Gridoil management that the bulk of its acreage that lies toward the eastern half of the Williston Basin will ultimately prove to far outweigh the western area in value. As the Mississippian and Devonian strata rise out of the deeper parts of the Basin in Montana and North Dakota, there are undoubted wide areas of pinchouts and wedgeouts against the underlying basement rocks that arch up to form the Laurentian Shield of Central Canada. This type of structure provides ideal traps for oil, and because depths are not excessive, profit potentials are excellent. Shell's Midale discovery, the Wappela field, Tidewater's prolific Forget well, the Virden area and Roselea and its recent extensions all point up the real potential of this area, which to date has hardly been scratched. Not to be underestimated is the fact that this oil and gas is 400 miles closer to the big Eastern markets.

It should not be overlooked that more than the volume of oil discovered in an area is involved in the computation of its economic value. Drilling costs rise rapidly in a direct ratio to their eventual depth, and the capital cost to be recovered is much greater for a 6,000 foot well than one at 4,000 feet, for example. Operating costs also rise commensurately. Gridoil is fortunate that the two fields so far located are so close together that one crew can operate them both. Production has occurred, roughly from the 3,500 to 3,900 foot levels. The average cost of drilling so far has been in the neighborhood of only $28,000 per well. Later on deeper tests will be made of this area.

In today's market, Gridoil's 2,124,000 shares are valued at about $14,000,000. It is not improbable that Gull Lake alone might be worth this amount. In addition, consider that Crane Lake's 27,000 acres with five anomalies were considered as favorable for drilling by Imperial's geologists and much work is still to be done there. Recently, Shell Oil brought in a direct offset to a full section of Gridoil's property in Southeast Saskatchewan. This is the first semi-proved section located by others that Grid will be able to drill free. Gulf Oil has just negotiated a farmout on a quarter section in Southeastern Saskatchewan. In addition, others of the large companies have indicated increasing drilling activities in Saskatchewan and Manitoba for this year and Grid, itself, will soon announce a program to drill 40 wells. Thus the coming summer months will see much action all through the areas where Gridoil's leases are located. Any favorable results or series of good drilling reports should be very quickly reflected in better prices for Gridoil shares. One really should study a map of the company's holdings, in connection with the trend of drilling activities, to visualize their ultimate potential.

To me, Gridoil Freehold Leases is an outstanding land play in fast-growing Canada. Proven and semi-proven acreage alone may be worth the present market evaluation and a dynamic play may eventuate on more than half a million acres well located in the Williston Basin and accessible to large markets. Of major importance in considering any oil venture is the capability of the management. Mr. Sam Nickle, President, and his sons, have long been considered to have outstanding knowledge of Canadian oil and gas country.

All of the above convinces me that at today's price, for the investor who is in a position to forego current income, the risk in these shares seems very small indeed in relation to the large profit potential.

Continued from page 4

What's Ahead for Insurance Company Stocks

insurance written. These twenty-six have many ramifications and are so universal in their application and so vital to our industrial and domestic welfare that it is inconceivable our free capitalistic economy could exist without insurance.

(2) **Size of the industry?**—In 1952, stock fire and casualty companies wrote a total of $6,410,590,000 premiums (last year over $7 billions) of which total approximately 20% were straight fire premiums. It is inconceivable that anyone today would invest his life savings in a home or plant without adequate fire insurance protection. In 1952, slightly over 40% of stock fire and casualty premiums were represented by the four principle automobile lines. Other lines with which you are familiar are ocean and inland marine, workmen's compensation, fidelity and surety, accident and health, extended coverage, windstorm insurance, and many others. Each year new forms are developed as new needs arise.

I believe that the insurance industry can be safely labelled vital, dynamic industry, universal in its application, essential in its need and one that will continue its growth as far ahead as we can look.

(3) **Is it a so-called growth industry?**—Unquestionably the insurance industry is the one industry most certain to continue its outstanding record of growth as our population grows and our true wealth and tangible property increase. Properly selected insurance stocks are, in my opinion, the ideal growth stocks and should continue to yield outstanding results in appreciation and increased dividend return. I believe it is possible to chart the future increase in population households, insurable values and thereby estimate fairly accurately the future growth, decade by decade of insurance risks to be written.

(4) **What types of insurance stocks should I own?**—At the end of 1952, there were twenty large multiple line group companies that wrote a total of $3,487,535,000 premiums in other than life lines. This represented over 54% of all stock fire and casualty premiums written by all stock companies in 1952.

At the end of last year, there were nearly 3,500 companies writing fire and casualty premiums, yet these twenty largest group companies wrote over 50% of the premiums.

Of this list of twenty, two companies, namely Travelers Insurance Company and Aetna Life Insurance Companies, are primarily life companies. Two others, namely General Motors and All State, are primarily automobile casualty underwriters, and are wholly owned subsidiaries of General Motors and Sears Roebuck.

One is a wholly-owned subsidiary of an English company and one is solely a casualty underwriter.

This leaves fourteen of the largest group companies who can be classified as multiple line underwriters, writing all lines other than life and whose stocks are available for investment.

In addition there are 95 other so-called group companies, that is companies with one or more subsidiary companies.

The investor, therefore, has a very large number of insurance stocks, of various types from which to choose.

I am very optimistic regarding the long pull prospects of the very top life insurance stocks, but since they are a specialty in themselves, I shall confine this study to the stock fire and casualty companies.

(5) **What results have stockholders in insurance companies realized over the decades?**—The first chart I will show you gives a comparison of the market value of the stocks of five top multiple line fire and casualty companies, adjusted for stock dividends, split-ups and rights, from Dec. 31, 1918, to Dec. 31, 1953. The same chart shows the 8% compound interest curve, the Dow Jones Industrials Index together with the Standard & Poors Index of New York Bank Stocks.

The five insurance companies used in this chart are Hartford Fire, Insurance Company of North America, St. Paul Fire & Marine, Federal Insurance and Firemans Fund.

These five companies are, in my opinion, among the few of the top underwriters, being completely multiple line, writing all lines other than life, and enjoying the very best underwriting, investment management and agency plants. In other words, they are among the very best few that have enjoyed outstanding growth and underwriting results for decades.

It is safe to say that these five companies would have been classified at the top or close to the top in every decade since 1900. The average age of these five companies is 106 years. Their mean unbroken dividend record is 67 years.

Since these five companies are bigger and stronger and are probably doing a better underwriting job today than ever before in their long life, I believe this is a record very few if any stocks in any industry can match.

(6) **Is it fair to pick these five top company stocks and not show an index of all stock fire and casualty companies?**—This brings up a point that is most important to all investors in insurance company stocks. In my opinion, the important thing to consider in an insurance company is the value of the underwriting business. Since insurance companies are regulated by the various state insurance departments and since by law the rates they charge must be adequate, not excessive and nondiscriminatory, it is the responsibility of the various state regulatory departments to see that all companies writing insurance in the state are solvent; that is they must have adequate capital and surplus to balance the underwriting risks they are assuming.

Also since the volume of insurance risks is constantly growing and as there is barely enough so-called policyholders surplus in the industry to balance the enormous and steadily increasing volume of insurable risks, the regulatory authorities must see to it that rates are adequate to enable the weakest link in the chain, namely the marginal underwriter, to realize a moderate underwriting profit. This underwriting profit plus varying percentages of the net investment income from portfolio investment after taxes and dividends is invariably compounded and thereby enables the companies to take on their share of the constantly increasing volume of insurance risks generated by our growing economy.

Since the industry as a whole must have an underwriting profit and rates must be adjusted accordingly, the very best underwriting companies realize a substantially better profit margin than do the marginal companies. The top companies, therefore, compound more earnings, and have a stronger ratio of policyholders surplus to liabilities. Hence they can take on an increasing share of new risks and as a result their stocks increase in value at a substantially greater rate than do the stocks of the poorer underwriters.

The investors therefore who wish the maximum long pull results are well advised to confine their holdings to the stocks of the very best underwriters, namely seek to buy the best underwriting business, no matter how cheap statistically the stocks of the marginal undewriters may look.

It is well to realize when you buy insurance company stocks that you are not merely buying **balance sheets, profit and loss statements and current dividend yield. You are investing your money in the insurance underwriting business.**

(7) **Has the Insurance Industry always been profitable and will it continue to be profitable?**—I have partially answered this question above.

The long pull profit margin of all stock companies, from 1920 to 1952 averaged 3.7%. During this 33 year period, there were only seven years where the combined loss and expense ratios reached a total of over 100. During the seven years with a minus profit margin the mean loss was only slightly over 2%.

The five top companies used in the chart had approximately twice the profit margin of the industry as a whole from 1920 to 1952. However, this is not a fair comparison as in the earlier years these five companies were predominantly fire companies and the 3.7% profit margin shown above was for all stock fire and casualty companies. I think it would be safe to say that these five companies should have a profit margin 50% over that of the industry as a whole.

It is axiomatic in the insurance industry that when the underwriting profit is excessive, rates are reduced and when rates are too low they must be increased.

Also the top companies writing all lines have a well balanced business. When certain lines prove to be unprofitable in any given year, the profitable lines more than offset the loss and overall results are good.

The five top company groups used in the index wrote in 1952 a combined volume of $847,721,000 premiums. This represented 13.23% or over one-eighth of all premiums written by all stock fire and casualty companies, whereas they represented in numbers roughly 4% of the 115 group companies and but a fraction of the number of all stock companies.

(8) **You may ask, what are the economic laws that bring such outstanding results to insurance company stockholders?**—There are three laws that are basic to the insurance industry.

First, there is the **law of big numbers.** This is the law upon which insurance is based. Briefly the broader the spread of the risk the greater the certainty of loss experience.

By the law of averages, when a corporation owns five plants, there is an equal chance that any one of the five may be the first to be destroyed by fire. If one plant is worth $1,000,000 and the fifth $50,000, there is as much chance that the million dollar plant may be destroyed by fire as there is that the $50,000 one may be destroyed.

Therefore, the insurance company by spreading the risk, reinsuring and by having many thousands of risks in all states and climates, may, by the law of big numbers be certain of an increasingly constant loss experience, based upon its underwriting skill and its classification of risks.

This is the first fundamental law upon which insurance stocks investment results are based.

The second is an equally fundamental law, namely the **law of compound interest.** American insurance companies over the years compound and add to surplus, all underwriting gain after tax. In addition a varying per cent of net investment income after dividends and tax is compounded and added to surplus.

This gradually increases surplus and enables the industry to constantly write more risks and thus keep pace with the continuous growth of population and insurable values.

This brings up the third law. The volume of insurance risks steadily increases as the population and wealth of a country increase and as new forms and needs of insurance are developed.

There is really a fourth law which is as over the years the purchasing power of irredeemable paper money steadily shrinks, insurable values increase accordingly.

All wealth must of necessity come from the ground, the air or the sea. It takes a given number of man hours of labor to create wealth. The cost of these man hours of labor determines insurable values. Hence when we have inflation, insurance risks increase in size accordingly and insurance company stockholders find that **they own an ideal inflation hedge.**

(9) **Having heard so much about the growth possibilities what about the safety factors?**—The answer to this question is that insurance company stockholders derive their income from two sources.

First, there is the underwriting gain that is compounded year after year.

Second, insurance companies keep their assets fairly fully invested. Not only are all true liabilities covered by so-called liquid assets, namely cash, receivables, reasonably short government and municipal bonds, but insurance companies are free to invest their net capital and surplus as they see fit. Usually the stockholders equity in total assets is invested in a balanced list comprising U. S. government and municipal bonds, preferred stocks and blue chip equities.

Insurance companies have highly qualified investment departments and their executive committees are famous for their conservatism.

The income from their investment portfolios is the source from which stockholders dividends are paid.

Before the second world war it was customary for sound companies to pay in dividends approximately 70% or more of net investment income.

During periods of rapid growth insurance companies delay increasing dividends in order that they can compound as much as possible of statutory earnings.

As a result at the end of an inflationary period they may be paying less than 50% of net investment income in dividends.

As a rule strong insurance companies reward their stockholders by giving large stock devidends when inflationary growth levels off and after the stock dividends they usually maintain the same dividend rate. In contrast weaker companies often in times of inflation must go to their stockholders for more money through the issuance of rights. Hence, the top companies tend to grow from within and poorer underwriters who can compound less surplus need new money from rights to enable them to write their share of an inflationary increase in insurable values.

This is one more reason why the top companies give best results to investors.

There are certain fundamental advantages insurance companies have over other investors.

(a) Since as a rule they constantly have additional funds for investment, insurance companies can follow the practice of dollar averaging.

(b) They are primarily long-pull investors.

(c) The effective Federal Tax rate on portfolio income varies with the break-up of each company's portfolio. It may be as low as 12% to 15% where a company holds a large per cent of state and municipals, preferred ann common stocks. Eighty-five per cent of dividend income is free of Federal Tax when received by a corporation from the ownership of the stock of another corporation.

(d) Insurance companies must carry all preferred and common stocks at bid side market at the end of each year. In effect all market declines are written off at the end of each year, surplus has been charged, and there is no mental hazard should the investment managers wish to eliminate such stocks from the portfolio.

(e) Since a substantial part, sometimes over 50% of net investment income before tax or possibly 40% after tax may be compounded after dividend payments, it is no hardship to insurance companies to take a long pull viewpoint and to own short term governments where advisable and low yielding equities. Insurance companies with a constant buying reserve are therefore ideally situated to take advantage of major swings in security markets. In this regard the past year presented insurance companies with an excellent chance to build up state and municipal holdings with the highest yield in many years.

By the same token, in the next year or so they may have an equally favorable opportunity to build equity holdings.

(10) **What return do insurance companies receive from Portfolio investments?**—For the forty-three years ended 1952, the mean return before tax on total assets averaged 3.81%. For the fifteen years commencing with 1910 and ending with 1924, the average return was 5.19%. For the next fifteen years, 1925-1939, the return averaged 3.51%.

From 1940 to the end of 1952 the rate of return declined irregularly until the low point was reached in 1952 with a return of 2.30%.

As is well known, interest rates hardened in 1953 and it may well be that over the next few decades the rate of return on invested assets of insurance companies might begin to improve.

(11) **How do the underwriting gains before tax compare with the investment gain?**—For the forty-four years ended 1953, with the last year estimated, the underwriting profit on earned premiums has averaged approximately 2%. This is the so-called statutory profit that increases surplus. As shown above the adjusted margin of profit per dollar of premiums written averaged 3.7% from 1920 to 1952. The difference can be accounted for largely by the increase in stockholders equity in legal reserves due to the steadily increasing reserve for unearned premiums.

(12) **Keeping in mind the rate of return on assets and the underwriting gain per dollar of premiums it is interesting to look at the next chart.** This compares the gain in premium volume and assets of all stock insurance companies since 1940 with the increase in gross national product, personal consumption, expenditures, etc., and shows why market value results indicated in the first chart were realized.

It clearly indicates the impact of the growth of population, wealth, war and war inflation upon the insurance industry.

It is well to bear in mind that twenty large group companies write over 50% of all stock insurance premiums and possess over 50% of all assets.

Since most insurance companies are 80 or more years old, some well over 100 years old, and as a rule few have issued new stock except through rights, stock dividends and split-ups, you can well see why insurance company stockholders have fared so well over the generations.

(13) **This brings me to the final question, why do not more investors buy these stocks?**—In my mind the answer is simple. Insurance stocks are primarily long pull investments. Since insurance companies compound such a large per cent of earnings the initial yield when bought is invariably low.

Few investors possess the patience and faith to buy these stocks and wait until the yield on their cost reaches a respectable level.

It is interesting in this regard to give a few figures to show the current yield and the gain in yield to be expected.

I shall use for this comparison the five stocks listed in the first chart. I have assured a purchase of one share of each as of Dec. 31, 1918, and at five year intervals up to Dec. 31, 1943.

This shows that the initial yield for the average of the six years in which purchases have been made averaged 4.56% and that ten years from each purchase date the yield would have averaged 7.05%.

In other words the average increase in yield ten years from the purchase date would have been 60%.

If the five stocks were purchased today, I would estimate the yield in the first year at 3%. I am assuming some extras or dividend increases by the year end.

The increase in yield for the past ten years has averaged 144%.

As to the yield ten years hence, much depends upon the rate of return realized over the next ten years from the so-called liquid assets insurance companies purchase against their legal reserves.

Should the trend of interest rates firm up over the next decade, I would reasonably expect that the yield ten years hence on today's investment might increase from approximately 3% to the neighborhood of 6%.

You have seen from the first chart that a selection of five top insurance stocks has given a capital appreciation rate approximately equal to the 8% compound interest curve. The second chart has indicated the growth of assets and premiums.

A third chart would be interesting giving the increase in cash dividends over the period. Since this chart would be a complicated job to prepare, I shall only give you an indication of what the cash dividend curve would show.

Assuming an investment of $1,000 in each of the five stocks used in our chart as of Dec. 31, 1913, and held to Dec. 31, 1953, the cash dividend yield on the average amount invested over the 40-year period would have averaged as follows:

(a) Had all rights been exercised 23.6%.

(b) Had rights been sold and treated as a return of principal 37.6%.

Had an equal sum been invested in the shares of each of the five stocks on Dec. 31, 1918, the initial cash dividends would have averaged 6.32%.

From 1918 to date the cash dividend yield would have increased approximately 786% and today's yield would average 57.85% on the amount invested.

Since the market value would have increased approximately 1446%, the smaller increase in cash dividends can be accounted for as follows:

(a) The yield from investments stock fire and casualty companies received in 1919 on total assets was 5.38%, whereas the yield in 1952 was 2.30%.

(b) Federal Taxes today take approximately 15% to 25% of net investment income from portfolio investments.

(c) In 1953 these companies were probably paying in dividends a record low per cent of net investment income, well under 50%, against approximately 80% in 1919.

To sum up, there is no reason in my opinion why insurance company stocks should not continue their outstanding record.

W. S. Palmer V.-P. of Templeton, Dobbrow

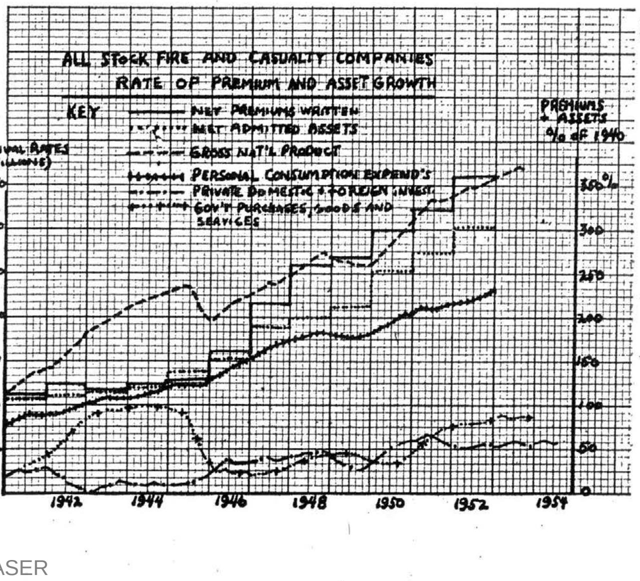
John M. Templeton, President of Templeton, Dobbrow & Vance, Inc., investment counsel of 30 Rockefeller Plaza, New York City, announces the election of William S. Palmer as a Vice-President effective Feb. 1.

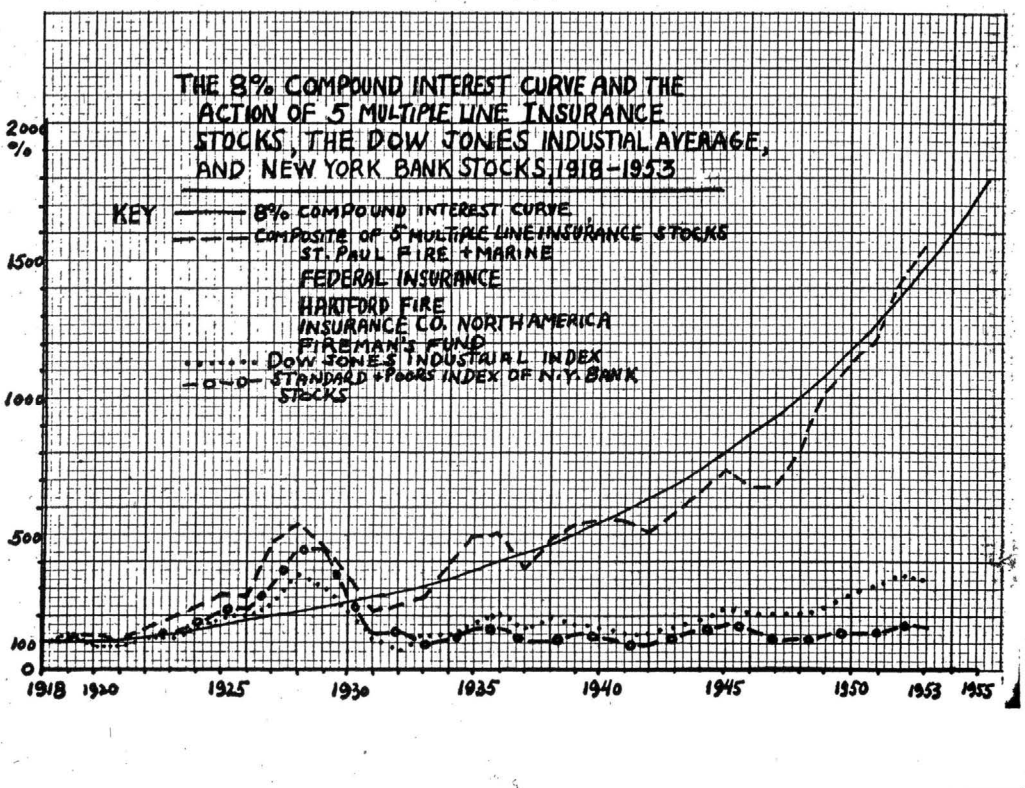
Selected Securities Incorporated Opens

PHOENIX, Ariz.—Selected Securities Incorporated has been formed with offices at 909 North First Street. Officers of the new firm are Robert C. Smith, President; Frank C. Beck and Alan Christiansen, Vice-Presidents; E. L. Smith, Secretary-Treasurer.

With Bankers Securities Corporation

LEXINGTON, Ky.—Norman L. Bullock has become affiliated with Bankers Securities Corporation.





Continued from page 3

How Much Contraction?

two quarters increased $9.6 billion. Personal consumption accounted for $6 billion of this amount and government purchases of goods and services accounted for $3.1 billion. There was a fairly large increase between the fourth quarter of 1952 and the second quarter of 1953 in expenditures on non-farm producers' plant and equipment, offset in part by a small drop in purchases of farm plant and equipment, and a rise in net foreign disinvestment.

The rise in personal consumption expenditures of $6.0 billion as an annual rate exceeded the rise in disposable income, which was $4.7 billion as an annual rate between the fourth quarter of 1952 and the second quarter of 1953. The increase in consumption between the fourth quarter of 1952 and the second quarter of 1953 was mainly in the form of expenditures for automobiles and for services. The rise in outlays for non-durable goods was quite small, and there was a slight drop in spending for durable consumer goods other than automobiles.

This brief summary of the last phases of the boom shows that the economy was getting fairly broad support. Consumer expenditures were rising faster than disposable incomes, non-farm outlays on plant and equipment were rising, and the government purchases of goods and services were rising. These influences for expansion were limited to some extent by a small drop in the rate of inventory accumulation, a small drop in investment in agricultural plant and equipment, and a rise in net foreign disinvestment.

IV

Some Aspects of the Contraction

Let us now examine what has happened to the economy as production has contracted. In the last quarter of 1953 consumer credit was still increasing, though at a much slower rate than at the peak of the boom, but the accumulation of inventories had ceased. Indeed, the drop in production has been due to the drop in the accumulation of inventories. In the second quarter of 1953 inventories were being increased at the annual rate of $7.1 billion. I have said that in the fourth quarter of 1953 there was no accumulation of inventories—at least so the preliminary estimates indicate. The annual rate of production, however, in the fourth quarter of 1953 was only $5.7 billion less than in the second quarter. In other words, the drop in production was less than the drop in the accumulation of inventories. This means that whereas the production of goods was down, the consumption of our output by individuals, industry, government, and foreigners was slightly higher in the fourth quarter of 1953 than in the quarter of peak production.

Thus far, the contraction of business has not been accompanied by a significant drop in personal incomes or in personal consumption expenditures. In the fourth quarter the annual rate of personal incomes after taxes was about $1.4 billion more than in the second quarter, and personal consumption expenditures were about the same as in the second quarter. This means that the first months of contraction saw a small rise in the rate of personal saving—a contrast with the last months of the boom when saving was dropping. The failure of consumer expenditures to keep pace with the rise in personal incomes after taxes during the last six months of 1953 is probably attributable to the diminishing use of consumer credit and to the slow rise in the service payments (repayments and interest) on outstanding consumer credit. Hence, the rise in the rate of personal saving is probably temporary.

The contraction in business has been accompanied by interesting changes in the pattern of consumer expenditures. Total personal consumption expenditures (seasonally adjusted) were slightly more in the fourth quarter of 1953 than in the second quarter, but the difference is negligible. There was, however, an appreciable drop in expenditures on durable consumer goods, particularly automobiles, and a small drop in expenditures on non-durable goods. Expenditures on services, however, continued to rise and were $2.9 billion higher as an annual rate in the fourth quarter than in the second quarter. Some of this increase was due to expenditures on housing (including imputed rent on owner-occupied dwellings), but most of it was attributable to spending for other services. The market for services is the most dynamic part of the market for consumer's goods—even more dynamic than the durable goods market. Since 1948, expenditures for services have risen by $25.3 billion a year in comparison with a rise of $7.3 billion in expenditures for durable goods and $20.6 billion in expenditures for non-durable goods.

Although the economy is no longer accumulating inventories, manufacturers are selling goods faster than they are receiving new orders. Unfilled orders of manufacturers (which are almost entirely concentrated in the durable goods industries) have dropped from $72.7 billion at the end of July to $58.3 billion at the end of December. At the end of June, 1950, unfilled orders were $24.7 billion. In the non-durable goods industries, new orders and sales are in good balance, but in the durable goods industries sales have been well above new orders. In December, 1953, manufacturers' new orders for durable goods were $9.3 billion in comparison with $12.6 billion in December, 1952. If sales were to continue to exceed new orders by about $2.0 billion or more a month, as in the last few months, unfilled orders would be reduced to the pre-Korea level by early in 1955.

The contraction of business has thus far had little effect upon contract awards in construction. In September and December new contract awards were below the corresponding months in 1952, but in July, October, and November contract awards were above the same months in 1952. In August there was virtually no difference between 1952 and 1953. New housing starts have been running below 1952 ever since July, but since August, the seasonally adjusted annual rate of new housing starts has been rising. It was 962,000 in August, 1,069,000 in November, and 1,112,000 in December. The latter figure is a preliminary estimate. The number of private dwelling units started in December, 1953 was only 900 less than the number started in December, 1952.

V

Some Reasons for Expecting Further Contraction

There are four principal reasons for expecting some further contraction in business. One is the fact that the Federal government plans to reduce its cash expenditures in the present fiscal year by about $1.4 billion below the last fiscal year. In the first half of the present fiscal year, however, the cash outlays of the government were about $258 million greater than in the first half of the fiscal year 1952-53. Consequently, if the government carries out its plan to cut its cash outlays by $1.4 billion, it will spend about $1.6 billion less in the first half of 1954 than in the first half of 1953.

A second reason for expecting further contraction of business is that industry plans to spend somewhat less on plant and equipment in 1954 than in 1953. Planned expenditures on plant and equipment in the first quarter of 1954 are nearly 3% above those for the first quarter of 1953. They are, however, slightly below the estimated expenditures for the last quarter of 1953. The McGraw-Hill survey of planned capital expenditures indicates that there will be a drop of about 5% for the year 1954 as compared with 1953. A year ago similar surveys indicated that a small drop was planned in expenditures on plant and equipment, but these outlays did not drop—they increased. For example, late in 1952 the McGraw-Hill survey of industry's planned capital expenditures for 1953 indicated outlays of $26.5 billion, a drop of about 3.5% below the McGraw-Hill estimate of expenditures on plant and equipment in 1952.[1]

A preliminary survey of the Securities and Exchange Commission and the Department of Commerce in the fall of 1952 indicated plant and equipment outlays of $26.3 billion for 1953, or a drop of 2.2%.[2] Actual plant and equipment expenditures in 1953 were about $27.8 billion—well above both the McGraw-Hill and the government forecasts. In 1954 the planned reductions in expenditures on plant and equipment will probably be carried out. Indeed, one of the great uncertainties about the business situation is whether the contraction of business will bring about downward revisions of planned expenditures on plant and equipment. I shall touch on this matter later.

A third reason for expecting a further contraction of business is that the reduction in inventories will probably continue somewhat further. Inventories are not particularly high in relation to sales, but at the end of November the ratio of inventories to monthly sales was slightly higher than in recent periods, as the following figures show:

	Manufacturing and trade	Manufacturing	Wholesaling	Retailing
Monthly average 1951	1.61	1.78	1.20	1.63
Monthly average 1952	1.64	1.89	1.18	1.53
November 1952	1.61	1.80	1.21	1.53
November 1953	1.70	1.91	1.31	1.59

A fourth reason for expecting a further contraction of business is that the revival of personal consumption expenditures will be held back for a few months by large repayments on short-term consumer debts. These repayments are now running at the rate of about $27 billion a year. Up to the end of 1953 extensions of consumer credit were running ahead of repayments and consumer indebtedness was growing. It is likely that short-term borrowing by individuals during the next few months will drop below repayments. If the rate of borrowing were to drop to $26 billion a year (in 1951 new borrowings were $22.8 billion; in 1952, $28.4 billion; and in 1953, about $29.7 billion) repayments would exceed new borrowings by about $1 billion a year. A moderate decline in short-term consumer indebtedness for a few months would be desirable, but it would also be quite deflationary. It would offset to a considerable extent the increase in private purchasing power brought about by the reduction in the personal income tax.

Most people seem to believe that the contraction will be aggravated by a small drop in expenditures on housing. My guess is that outlays on housing will not drop. The rate of housing construction in 1953 (about 1.1 million new dwelling units) does not seem to be out of line with the long-run demand, and housing construction was repressed to some extent by tight credit.[3] I attach considerable significance to the fact that the seasonally adjusted rate of new non-farm housing starts has been increasing ever since August. It is possible for people in most localities to own new houses for little more than the out-of-pocket cost of renting. The spread of seniority rules in industry has greatly increased the security of a large proportion of employees and thus has made them better able to buy houses. The desire to live in suburbs rather than in congested areas stimulates the demand for new housing. Finally, changes in the type of houses desired by consumers, particularly the growing preference for one-story houses, encourages people to give up renting old houses and to become the owners of new ones.

VI

Will the Contraction Become Cumulative?

Will the creeping contraction that has been going on for six months soon develop into a cumulative contraction? Some cumulative effects or tendencies are inevitable. But there are influences in the economy making for expansion which will limit the effects of the influences making for contraction. Hence, I do not believe that the contraction will feed on itself to any appreciable extent. I have pointed out that there is some fear that business concerns may be led by contraction to make drastic downward revisions in their plans for spending on plant and equipment. This danger seems to me to be remote. Most enterprises today do not make plans for spending on plant and equipment without careful consideration and without good reason. Many of these plans are intended to enable the enterprise to make use of important technological improvements or to adjust itself to important changes in markets. Once such plans are made and scheduled for execution, only rather substantial changes in the state of business would lead to their downward revision. The recession of 1949 was, of course, quite mild, but it did not lead to a downward revision of investment plans. Actual expenditures on plant and equipment kept quite close to planned expenditures in spite of the fact that the output of the economy was dropping slowly throughout the year. The following table compares planned expenditures on plant and equipment in each of the four quarters of 1949 with the actual expenditures.

A contraction might become cumulative as a result of enterprises or individuals attempting to conserve or build up their liquid assets by reducing expenditures. This danger is mitigated by the fact that the liquid asset holdings of both individuals and enterprises are large and have increased during the last year.

The danger that the contraction may become cumulative is reduced also by the fact that there are important prospects for increased spending in some parts of the economy—particularly on the part of state and local governments and on the part of individuals. State and local governments have been increasing their outlays for goods and services during the last six years by about $1.5 billion to $2.0 billion a year. There is an enormous need for public works of various kinds—streets and roads, bridges, schools, hospitals, extension of sewerage systems, additional water supply, and other public works. These needs are the result of several influences—the large increase in population, particularly the increase in the number of children, the marked movement of population from city to suburbs, the great increase in the number of passenger cars and trucks, the great growth in the per capita consumption of water. The huge need for various kinds of public works justifies confidence that state and local expenditures for goods and services will continue to increase at about $1.5 billion to $2.0 billion annually for years to come.

The purchasing power of individuals has been increased by about $3 billion a year by the reduction in the personal income tax which became effective on January 1st. This gain will be reduced by about $750 million by the rise in contributions of individuals to the Old Age and Survivors' Insurance scheme. Nevertheless, the net gain of about $2,250,000,000 in personal incomes after taxes will be important in sustaining the demand for consumer goods. Personal incomes tend to be increased also by the creeping rise in wages which has been occurring in most industries. Between December, 1952 and November, 1953, hourly earnings increased 6 cents an hour in manufacturing, 13 cents in building construction, 11 cents in the telephone industry, 9 cents in wholesale trade, 10 cents in retail trade, and 4 cents in year-round hotels.[4] Although employment in the last quarter of 1953 was more than 200,000 less than in the last quarter of 1952, payrolls were $6.6 billion a year larger. Thus far, the drop in employment since the middle of 1953 has brought about virtually no change in payrolls.

The increase in hourly earnings seems to be roughly in line with changes in the productivity of industry. At any rate, corporate profits after taxes were slightly larger in the third quarter of 1953 than in the last quarter of 1952,

	Planned annual rate of expenditures on plant and equipment (millions)	Actual annual rate of expenditures on plant and equipment (millions)
First quarter 1949	$17,560	$17,840
Second quarter 1949	19,120	18,640
Third quarter 1949	18,520	17,480
Fourth quarter 1949	17,000	18,520

Source: Council of Economic Advisers, *Economic Indicators*, January, 1949, April, 1949, July, 1949, October, 1949, and *Report of Council of Economic Advisers*, July, 1940, p. 131.

1 *Business Week*, Nov. 1, 1952, p. 27.

2 Securities and Exchange Commission, *Statistical Series, Release No. 1132*, Dec. 29, 1952. The changes between expenditures in 1952 and estimated expenditures in 1953 are computed on the basis of estimates for 1952 which were available when the survey of spending intentions for 1953 was made. This is also true of changes between 1952 and 1953 estimated by the McGraw-Hill survey.

3 Reconsideration of the long-run demand for housing in the last year or so has led to a general increase in the estimates of this demand. I am one of those who has modified his view of the long-run demand for housing.

4 Council of Economic Advisers, *Economic Report*, January 1954, p. 191. These increases were about the same as those which occurred in the period January, 1952, to December, 1952, but in the previous year the distribution of the increases was somewhat different. There appears to be some tendency for manufacturing to set the pace in wage increases. In the period January, 1952, to December, 1952, hourly earnings in manufacturing increased 10 cents an hour, in wholesale trade the increase was 7 cents, in retail trade 2 cents, and hotels 3 cents. In bituminous coal mining, where hourly earnings increased 28 cents between January, 1952, and December, 1952, there was a drop of 4 cents between December, 1952, and November, 1953. This drop was due to a smaller yield of the tonnage rates of the industry.

and there had been no appreciable change in prices. The fact that hourly earnings have been rising without encroaching on profits means that wage increases have been a sustaining influence, not a deflationary one.

VII

When Will Revival Begin?

I have said that I do not expect the contraction to feed on itself, at least to any significant extent. I have also said that I expect the revival to begin about the middle of the year. Does not this conclusion seem unreasonable? The Federal government is planning to spend several billon dollars less in the coming fiscal year than in the present one. Business concerns are planning to spend less on plant and equipment in the second half of 1954 than in the first half. What then is likely to halt the contraction about the middle of the year and bring about a revival?

My belief that the revival will begin about the middle of the year is partly based upon the belief that continuation of the contraction will lead the government to take rather active steps to halt it. That, of course, is a political prediction, but I believe that it is a reasonable one. There is a good possibility, however, that contraction will be halted by the middle of the year without important special aid from the government. What influences are likely to halt contraction and bring about revival by the middle of the year? There are four probable developments—each of them quite likely to happen, but none of them certain. One is the probability that the reduction in business inventories, which I expect to see during the early part of 1954, will not last beyond the middle of the year. Inventories were not particularly high at the peak of the boom. With a prospect that total expenditures on consumption will hold steady during the first half of 1954, or at least not decline by more than a slight amount, no prolonged reduction in inventories is in prospect. An end to the reduction in inventories would, of course, increase the current demand for goods.

The second probable development is a halt in the reduction of short-term consumer indebtedness. I have stated that I expect to see some reduction in short-term consumer debts. By the middle of the year, this reduction is likely to cease. That would remove debt reduction as a deflationary influence and would increase the current demand for consumer goods.

A third probable development is that Congress will adopt Mr. Eisenhower's recommendation that the old Age and Survivors' Insurance scheme be liberalized. This would result in moderately larger pension payments before the end of the year, helping sustain the demand for consumer goods.

The fourth probable development is that individuals can be persuaded to spend a larger proportion of their incomes after taxes on consumer goods. This is the most important possibility of all. During the last several years, individuals have been spending about 92.5% of incomes after taxes on consumption. This is low by past standards. It ought to be possible for business to persuade consumers to spend about 95% of their incomes on consumption. An increase in the proportion of incomes spent for consumption from 92.5% to 95% would raise the market for consumer goods by over $6 billion a year. Such an increase would assure a strong and healthy revival of business. Perhaps goods in the last several years have been so easy to sell that business has failed to make adequate efforts to improve its products and to become sufficiently concerned about pricing goods attractively. The consumer attitudes surveys of the University of Michigan show that a high proportion of persons have not regarded recent periods as a good time to purchase durable consumer goods. Certainly many of the prices which might have been appropriate in a sellers' market are not appropriate today, and should be cut.

If business were to set itself the goal of raising expenditures on consumer goods up to 95% of incomes after taxes, I believe that it would achieve a considerable measure of success. But business may not adopt such a goal. Furthermore, I have pointed out that each of the four principal developments that might bring about early revival is somewhat uncertain. Hence, we must face the question of what is appropriate government policy in the face of these uncertainties.

VIII

What Is Appropriate Public Policy Toward the Contraction?

Mr. Eisenhower, in his Economic Report, has mentioned some of the steps that the government might take to stimulate business in the short-run. He apparently contemplates a possible expansion of Federal public works because the several departments have been instructed to develop high priority projects to the point where construction could quickly start—though getting much spent on construction involves a lag of at least several months. He suggests the possible use of the powers to liberalize FHA mortgage credit conferred on him by the Housing Amendment of 1953. These permit substantial reductions in down payments (on an owner - occupied house costing $12,000 to as little as $600) and an extension of the period of amortizing mortgages to 25 or 30 years. Mr. Eisenhower obviously contemplates the possibility of incurring a deficit if necessary because he renews his request for an increase in the debt limit and is careful to point out that the administration of the budget permits considerable flexibility in expenditures—more, he says, "than is commonly appreciated." This is certainly true today when there is a huge backlog of authorized defense expenditures. The one instrument that Mr. Eisenhower does not mention is an additional cut in taxes. In fact, he opposes the use of this instrument and asks that the tax cuts scheduled for the first of April be postponed.

The instruments which are likely to be most effective against a contraction or best to use for other reasons depend upon circumstances. For example, international developments might make an increase in defense spending the best way to halt the contraction, but it would be tragic to use this instrument unless noneconomic conditions made its use imperative. If housing construction shows signs of growing so that it is likely to respond to easier credit terms, liberalization of housing credit might be a particularly effective instrument. Cuts in taxes that affect the purchasing power of consumers are more likely to have quick results than cuts in taxes on business which affect the long-run investment outlook. Tax cuts, or certain kinds of tax cuts, have the advantage of producing quick results, but they have the disadvantage of representing more or less irreversible decisions. If business turns out to be better than anticipated, tax cuts may leave the government with a deficit in a period of boom.

Although I believe that the contraction will not feed on itself to any great extent and will not persist for long, there is enough uncertainty about its length and depth to justify a more active attack on the recession than the government is now making. The most appropriate weapon to use would be cuts in excise taxes—though not the specific cuts scheduled for April first. Rather than make the cuts in the corporate income tax and in the taxes on liquor, tobacco, and gasoline scheduled for April 1st, it would be desirable to keep these taxes unchanged for the time being, as Mr. Eisenhower recommends, and to eliminate completely most of the manufacturers' and retailers' excises. Certainly the present is no time for the government to be discouraging the sales of passenger automobiles, radios, TV sets, refrigerators, or air-conditioning units by a 10% tax or the sales of luggage, handbags, or photographic apparatus by a 20% tax. Elimination of most of the so-called manufacturers' and retailers' excises would increase the purchasing power of consumer incomes by more than $2 billion a year. If these taxes were eliminated as of July 1st, the resulting gain in the demand for consumer goods of all kinds would virtually assure an expansion of business.

There are, I realize, powerful arguments against this recommendation. One is that cuts would leave the cash budget for 1954-55 in the red by about $2 billion and create the danger of inflation. I do not believe that a deficit of this size would present particularly difficult problems even at high employment. In the year 1952-53 a cash deficit of over $5 billion was accompanied by a stable price level. Furthermore, the deficit would not necessarily be a lasting one because the yield of present tax rates rises by about $2 billion a year.

A more serious objection to my proposal arises from the uncertainties in international affairs. A turn for the worse might at any time require large increases in defense spending. It may seem risky and improvident to give up over $2 billion of revenue when there may be a sudden need for it. My answer to this argument is that the development of a crisis would probably induce Congress quickly to impose new taxes to finance an enlarged defense program. Certainly, alarm over our security would give Congress a strong incentive to impose additional taxes. Please note that I am not suggesting cuts in defense spending. The country, however, is confronted with important economic uncertainties. The development of prolonged recession here, even if moderate, would jeopardize our good relations with many free nations and would create economic problems abroad which would imperil our security and the security of the entire free world.

Let us bear in mind that there is *no* available course of action today which would not involve grave risks. We live in dangerous times and cannot escape the necessity of pursuing policies that involve risks. I believe that my proposal that most of the manufacturers' and retailers' excises be eliminated as of July first or April first, but that the taxes on corporate income, liquor, tobacco, and gasoline be unchanged, involves less risks than Mr. Eisenhower's proposal that all of the tax cuts scheduled for next April be postponed. My proposal would help make even a mild contraction in the United States still milder and it would help bring about an early revival. Hence it would substantially assist this country to give the economic leadership to the free world that the security of all free nations requires.

Arthur C. Cooper

Arthur C. Cooper, partner in Rotan, Mosle & Cooper, Houston, Texas, passed away on Jan. 26.

Mann Re-elected By American Stock Exchange

John J. Mann, second individual in history to be so honored, was reelected to his fourth consecutive term as board chairman of the American Stock Exchange, according to an announcement by Edward T. McCormick, Exchange President.

John J. Mann

Robert Strain

Frank Walin

I. W. Burnham, II

Martin Le Boutillier

Harold A. Rousselot

Mr. Mann, a former page boy on the old New York Curb Market, predecessor to the present Exchange, has been a governor since 1948 and served as vice-chairman in 1950. He became a member of the New York Curb Exchange in 1933 and has functioned as a stock specialist since that time.

Elected as Class "A" governors for three-year terms were James R. Dyer, Dates & Dyer; Thomas H. Hockstader, L. F. Rothschild & Co.; Ralph F. Lafferty, R. F. Lafferty & Co.; Mortimer Landsberg; and Joseph F. Reilly. All have served in the past. Mr. Landsberg is a former board chairman of the Exchange. Mr. Hochstader was elected as an independent candidate.

Elected to two-year terms as Class "A" governors were Robert Strain, Hart Smith & Co., and Frank Walin, Joseph McManus & Co. This is their first appearance on the governing board.

I. W. Burnham, II, Burnham & Co., Mathew Dean Hall, L. A. Mathey & Co., Martin Le Boutillier, Delafield & Delafield, and Harold A. Rousselot, Orvis Bros. & Co., were elected to three-year terms as Class "B" governors. Mr. Hall has served in the past. The others are newcomers to the board.

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

Halsey, Stuart Group Offer Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates are offering today (Feb. 11) $6,495,000 of Chicago & North Western Ry. Co. 2⅞% equipment trust certificates, maturing annually March 1, 1955 to 1969, inclusive. The certificates are priced to yield from 1.75% to 3.05%, depending on maturity.

The issue is to be secured by the following new standard-gauge railroad equipment, estimated to cost approximately $8,125,835; 1,030 box cars; 7 Diesel road switching locomotives, and 2 Diesel switching locomotives. Issuance of the certificates is subject to the authorization of the Interstate Commerce Commission.

Associated with Halsey, Stuart in the offering are: R. W. Pressprich & Co.; Baxter, Williams & Co.; Gregory & Son, Inc.; Ira Haupt & Co.; Hayden, Miller & Co.; The Illinois Co.; Wm. E. Pollock & Co., Inc.; Julien Collins & Co.; McMaster Hutchinson & Co.; Mullaney, Wells & Co.; and F. S. Yantis & Co.

Harold E. Walker Opens

SAN ANTONIO, Tex. — Harold E. Walker is engaging in a securities business from offices at 230 West Elmview. He was formerly with Dunn & Wills, and Russ & Company.

G. R. Sykes Opens

WASHINGTON, D. C. — Grant Wilcox is conducting a securities business from offices at 3636 Sixteenth Street.

R. J. Southwell Opens

R. J. Southwell has opened offices at 50 Broad Street, New York City, to engage in a securities business. Mr. Southwell was formerly an officer of Trinity Securities Corp. and was with Cantor, Fitzgerald & Co., Inc., B. G. Phillips & Co. and A. W. Benkert & Co., Inc.

B. W. Currier Opens

BOSTON, Mass.—Benj. W. Currier is engaging in a securities business from offices at 70 State Street. He was formerly with Armington & Co. and Luckhurst & Co. In the past he conducted his own investment business in Boston under the firm name of Wincott & Co.

Henry De Meester Opens

ORMOND BEACH, Fla.—Henry De Meester is engaging in a securities business from offices at 429 Ocean Shore Boulevard. Mr. De Meester was formerly in the investment business in Fair Lawn, N. J. and New York.

Income Builder Formed

RIVER EDGE, N. J. — J. A. Lempenau is engaging in a securities business from offices at 171 Beech Drive, North under the firm name of The Income Builder. Mr. Lemenau was previously with Edw. A. Purcell & Co.

G. M. Howard Opens

WICHITA FALLS, Tex.—G. M. Howard is engaging in a securities business from offices in the Wichita National Bank Building.

Securities Salesman's Corner

By JOHN DUTTON

PROSPECTING IS BASIC!

(PART I)

This is the first in a series of two articles on prospecting, which are the result of my interview with L. L. Moorman, wholesale distributor and Vice-President of National Securities & Research Corp., 120 Broadway, N. Y. C. Mr. Moorman has given me most of the following ideas, with which I heartily concur and recommend to the readers of this column.

How to Qualify a Prospect for Mutual Funds

Unless you can locate people who are prospects, and you can do it without wasted effort, your end result (sales) will be impaired. The reason some salesmen do more business than others is that they have discovered, and they apply, the "A" "B" "C's" of prospecting. Here they are:

First, the prospect must have money, or he should own securities that indicates he invests money.

Second, he must be the type of person who lays primary emphasis on *income*. He should either need income for present living expenses, or to augment his income from his business or profession. Or else, he should be interested in a plan of investment that is designed to produce income for future needs. (Retirement, children's education, protection of heirs, etc.)

Third, he should be the sort of person who makes his own decisions. If he insists upon talking with his banker, lawyer, or his wife before making a decision, you had better get together with *that other person*. If not, don't waste your time.

Fourth, he must be willing to give you an interview at a favorable time and place. If you can sit around a table with a prospect and discuss *his affairs* in an unhurried and serious manner, then you will have an opportunity of coming to an agreement with him. But if your prosepct wants you to hurry up and tries to rush you through your presentation, either obtain an interview at another time when you can do justice to the subject, or not at all. *Sell the appointment before you try to sell the prospect.*

Don't Try to Sell Speculators

Investors who are interested in *income* and *long-term capital gains* are the prospects you want. Speculators who try to pick intermediate market moves are not for you. When a prospect says, "I can triple my money on individual stocks," after you have presented a *mutual fund*, eliminate his confusion. You know that only a very small percentage of individual stocks ever triple in value, and he should know it too. Also, the risk of loss in reaching for that kind of profit is usually commensurate with the opportunity for gain. If your man has agreed that his main objectives are relative safety of his capital and dependable income, ask him what comes first with him. Suggest, "Isn't it relative safety of your capital and dependable income that is of prime importance to you, Mr. Jones?" If he admits that this is so, then the only way it can be achieved is through the application of sound investment principles, such as wise selection of securities, constant supervision, and broad diversification, *not hazardous speculation in individual stocks in the anticipation of extraordinary profits* (a most improbable occurrence at best). People who are habitually looking for tips, and quick turns, are not good investment clients.

Here's a Good Way to Test Whether or Not You Have a Prospect

If you have a prospect that seems interested but who doesn't buy and you want to find out if he means business or is only the type of person who can't say no, but will never say yes, ask him to give you his list of investments for analysis. If he does, you have a chance to do business with him. If he refuses to do this and still doesn't give you an order, ask him for the names of some of his friends who might be interested. If he gives you the names he can be considered a prospect. If he doesn't give you his list, or offers no names, you can forget him. Sometimes these people will waste your time. Don't let this happen as time is your most valuable asset.

(To be Continued Next Week)

Continued from page 6

Forced Drafts Do Not Cure Economic Ills!

tical problems will have an important and direct bearing on the future stability and prosperity of our economy. We are also very much aware of the fact that our responses to international problems will shape not only our own destiny but that of the whole world.

Superficial Remedies Will Not Solve Our Problems

The problem of forced drafts appears significantly on both the international and the domestic scene. Public and group pressures are calling for immediate action to rid us of the things we fear. Yet the problems we face are not easy problems; they are not questions which can be solved with catch phrases or superficial remedies. Let me refer to a few of the areas where forced drafts are at work, both at home and abroad. First, domestic problems.

As I see things from the outside, the present Administration came to power probably with fewer commitments, fewer biases, and fewer political encumbrances than any administration in recent times. That was a hopeful sign.

Nevertheless, application of sound judgment in political affairs is not easy. Political pressures are relentless. These pressures have been reflected in the backing and filling, and the occasional reversal of philosophy, on the part of the present Administration.

The money supply and general credit conditions are a case in point. Following the so-called Federal Reserve-Treasury accord of March 1951, money rates had firmed somewhat. The Administration professedly was to stand for sound money with fully flexibility. It started, however, on a forced draft hard money basis. The money supply was tightened abruptly, aided to be sure by a huge demand for credit and the necessity of much government financing. Interest rates rose rapidly, much borrowing had to be postponed and, incredible as it may seem, along toward the end of May we were not too far from an old-fashioned money panic. The price of government bonds plummeted to break through 90.

The inevitable results of such an over-forced draft appeared immediately. Enormous segments of our people discovered that they had a vested interest in soft money, easy credit and generally inflationary conditions. They came out vocal and fighting, and their self-appointed political spokesmen were given ready-made issues in a dramatic fashion. The retreat in the face of these counter pressures was as precipitate as had been the drop in the price of bonds. Reserve requirements were loosened and money was pumped into the economy. It now appears that we will have flexible, easy money rather than flexible, sound money. Looking ahead I can see continued pressure for a one-way easy money policy. Unless future administrations are much more successful than previous ones in resisting these forced drafts, one of the fairest, most equitable and effective weapons against inflation will in the main be lost to us in time of peace.

Complexities of Our American Capitalism

I am one of those who look back with a certain nostalgia to the days when there was less government in and out of business and less political or governmental management of our affairs. Nevertheless, so complex a system as our present day American capitalism requires a certain amount of management. We have learned many things about the causes for recessions and for inflation. It is precisely in this field, however, that forced drafts of public and group pressures can help or do infinite harm. Unfortunately, the facts of business and political life are such that in most cases the forced drafts will do us harm.

John Maynard Keynes came into his own with publication of his "The General Theory of Employment, Interest and Money" at the end of 1935. I had long been out of college by that time and had to cram on my economics all over again. No matter what one's views on Lord Keynes' ideas may be, the fact is that he deals with real life factors of our present complex society — and those factors must somehow be managed if we are to soften the effect of cyclical swings in the economy and give proper direction to long-range trends. Building on Keynes' analysis, we have developed techniques which, it seems to me, should be sufficiently effective on downswings to avoid serious recessions. But on the upswing, when we face the problem of avoiding inflation, either creeping or walking, the remedies developed have broken down. Why? Because they run right into the public opinion and group pressure forced drafts which paralyze proper political and administrative action and bring about the wrong action.

What are the factors to be manipulated in trying to prevent recession or, on the other hand, inflation? Essentially they are the supply of money, taxes and government spending. On the downswing the supply of money is increased and general credit eased; taxes are reduced, and government spending stepped up. Each of these is highly popular with the public and pressure groups and, accordingly, politically popular. Further, the normal forces in the economy, whether called countervailing forces or by some other name, operate with efficiency in a buyer's market, which prevails at such a time, and greatly speed the price, inventory and multiple other adjustments which are requisite to sound recovery.

But what about the upswing when the problem is to restrain inflation? There the situation is indeed different. The supply of money should be contracted and general credit tightened. Immediately, every builder, borrower and most businessmen scream in great pain. Taxes should be increased. No one likes this. Government spending should be cut down. All the special interest groups, most business and labor organizations protest violently. Politically these are most unpopular and as a practical matter are done not at all or only in inadequate part. Further, the normal forces in the economy which would work to hold down prices largely cease to function. Inasmuch as there is a seller's market at such time of inflationary boom, employers tend to go along without balking on inflationary wage increases, call themselves business statesmen, and pass it all along in price increases. This leads to more wage and price increases and to upping of farm supports and subsidies. Buyers, even the strong ones who could usually exert a restraining influence, are helpless to prevent the vicious circle.

Because of the great strength of public opinion and pressure groups, practically all of which enjoy what goes along with inflation, and because of the political reactions which their forced drafts bring, I find it difficult to be sanguine as to the possibility of controlling inflation in our future.

Farm Supports Signify Further Inflation

Farm supports and subsidies are being debated at the moment. Clearly, whether forced draft or not, the farmer needs and is entitled to special treatment and support. This he has had for some 20 years. Further, our general economic health demands it. The war of counter pressures now raging revolves around the height and rigidity of support and the amount of subsidy. In time of peace, until population increase catches up, as it will before many decades, it seems that high and rigid supports will develop huge, unmanageable and, in effect, bankrupting surpluses. Lower and more flexible supports which permit market prices to have some effect might cause some shift of production to other crops, more wanted marketwise. Nevertheless, experience seems to indicate that the farmer, like most of us will vote for his short-run pocketbook. This gives great weight to the forced draft for high and ever higher rigid supports.

The force behind the drive for high rigid supports is shown by the fact that when mounting surpluses compel the Secretary of Agriculture to curtail acreage which may be planted to the surplus crop, Congress almost invariably passes a law arbitrarily increasing the acreage set by the Secretary. I do not know what the result of the current debate in Washington will be. I believe, however, that only the mounting calamitous effect of burgeoning surpluses can in time develop sufficient counter pressure to bring about enough flexibility in controls to give us a livable situation. This, however, should be said. The farm situation will never be satisfactory so long as the farmer must pay prices for industrial products ever ratcheted upward by wage and price increases; and pushed upward with little or no regard for giving part of productivity gains to the consumer by price reductions. The long-range appearance of the farm problem to me spells gradual inflation.

World Politics, Another Threat

World politics, a second factor upon which our destiny depends, seems to be a continuing threat: there is always the feeling that the days of reasonably normal existence will be numbered by World War III.

Personally, I think it not unrealistic to write off this fear as needless.

I do not believe that Russia is in a position to wage a successful hot war. To win a war against the free world requires more agricultural capacity, more industrial capacity, and more and better transportation facilities than Russia has or will have within many years. In addition, everyone knows she is having satellite trouble, even without the pressures of war. Throughout history, Russian troops have fought well when their homeland has been invaded, but waging war outside their borders puts much more of a demand upon those basic requirements in which I think they are deficient. Probably there are only two ways that a war might be started by Russia: one is by sheer accident, as wars have sometimes started in the past; the other is the creation of war as a diversionary tactic to prevent serious uprising against the Kremlin dictatorship. Even these possibilities are, I believe, remote. In the case of the incrutable dictatorship of the Kremlin, however, one must always end by saying that no one can tell.

In dealing in this perilous foreign field, the Americans carry at least one handicap in relation to their Russian enemies. That is the constant pressure exerted by the free, impatient and emotional public opinion in this country. There is not and cannot be such an opinion in Russia where all means of communication to form an opinion are controlled by the ruling group and where, even though an opinion could be formed, all means of expressing it are suppressed. It is encouraging to note, however, that public opinion pressure in Russia can be and apparently is made in connection with certain elemental problems, like a shortage of food and consumer goods. Control of all information, while preventing an independent opinion on foreign relations, cannot lead the public even in Russia to consider a degraded standard of living to be something good.

American public opinion, on the other hand, represents a powerful forced draft and poses a constant threat to the achievement of a successful conclusion to negotiations with Russia in connection with the cold war. The American public deeply desires a real peace and its pressure forced draft is almost constantly on the side of the angels in pushing its officials for a peace. This, or any administration, knowing there could be no political triumph at home comparable to securing peace, and under pressure by American public opinion and by our allies, is constantly pushed along toward greater and greater concessions to obtain a settlement. The Russians can sit by and see another Yalta or Potsdam being shoved within their reach. This constant forced draft is dangerous, indeed. We all saw it operate in connection with the negotiations for a truce in Korea; although I am not sure the word "negatiations" can be used properly where there was complete bad faith on one side.

This pressure operates not only to complicate negotiations, but in preparing for and fighting war as well. In 1946 I heard the late Secretary of War, Robert Patterson, express his great concern at the tendency on the part of our people to think that the new, powerful, complicated and effective weapons which we excel at developing were somehow bad and should be curbed or outlawed in some way. This thinking, of course, is aided and whipped up by the Communists, and if ever carried into effect would reprive us of our strength and leave the strength of the enemy, which primarily is based on foot soldiers, untouched. The pressure of such thinking is great today. It comes to the surface repeatedly in discussions of the Administration's proposal to pool a certain amount of atomic materials for peaceful everyday use among the nations of the world. I have seen many editorials discussing the proposal and also analyses by special writers on military subjects. Through them all runs the thread of thought that this is a good step but that finally, somehow, we must arrive at an outlawing of atomic or nuclear weapons. I have even heard it expounded by one of our commanding generals within the last month.

Atomic weapons are the latest expression of our genius for developing effective weapons. Apparently, our defense and retaliatory plans are being shaped around their use. The Russians, it seems, likewise have atomic weapons—but, even if we assume that it would be possible to achieve a situation where an outlawing of them would be lived up to by the enemy, we would be deprived of weapons in which we excel. Yet we would face an enemy with a full complement of the weapons in which it excels and where we cannot compete—their horde of foot soldiers, which we could not and would not want to match. Atomic weapons are fearsome—but no worse than the vicious Communist land armies. This particular form of forced draft of opinion could easily lead us into slavery, and is one of the great hazards which we must surmount in our international negotiations in the years ahead.

What Can Be Done?

What can be done about the general problem of forced drafts? I know of none but most incomplete answers. One thing is long-range education of the public. It should be done as best can be, even though it may be only in small part effective. Another is to expose unsound proposals and the pressure groups behind them each time they come forward. This will not be easy because the operation of pressure groups and the manipulation of public opinion for special ends has become big and skilled business in itself.

In saying this, I am not arguing against competition in ideas, nor do I wish to limit the right of any group to work for what it conceives to be in its own interest. Our economic, as well as our political system, is based on the thesis that the nation as a whole will be better served through the free interaction of countless differing roups than it will through the imposition from above of the ideas of one all-knowing coterie. But in a democratic political and economic system such as ours it is doubly important that the public be well informed on the issues before it. I feel reasonably sure about the long-run wisdom of our people—provided they obtain a full picture of the questions they are called upon to decide. But when their information is provided principally by special-interest groups and when great political pressure is brought to bear for immediate solutions without adequate study, I cannot have the same confidence.

This points up the responsibility facing men like yourselves who have an opportunity to study our problems and who are called upon to inform and advise a wide group of people. It is your responsibility to think in terms of long-run solutions, not temporary palliatives. It is your responsibility to resist pressure groups where those groups are thinking only in terms of themselves. It is your responsibility above all to keep our business community fully informed on the broad issues facing our nation.

Disquieting Signs

There are disquieting signs. The present Administration, going into office relatively free of commitments, had apparently had the unhappy fear that there is no glory in being a dead hero. Sound economics and a middle-of-the-road program may become submerged, as in the past, to political expediency.

This is a time when we must seek out the forces for good and build upon them. I suggest that the enlightened American businessman can make a major contribution toward keeping things on the track if he operates intelligently and thoughtfully in the conduct of his business and as an influential citizen. In this connection, I continue to be impressed with the public spirit and objectivity of the American businessman of today.

If business is to play an important part in preserving our economic structure, you, as advisors to an important segment of business, face a rare opportunity. You analysts, you financial writers and advisors can keep America's businessmen aware of what is actually happening in the economy, of what portends, of what pressures are being applied—and why.

It is your business and your training to study and diagnose cause and effect.

It is your talent to detect the direction in which situations are moving.

You, as much as any other single source, can provide the American businessman, who is normally absorbed in his own immediate problems of management, with guidance and background. You can help place him in a position to use his influence and his judgment wisely.

Only future generations can assay the full benefit that will accrue from such team work in the public interest.

SEC Eases Corporate Reporting Requirements

Eliminates necessity for duplicating similar information in different reports, and revises its procedures governing registrations of new securities for exchange listing.

The Securities and Exchange Commission has announced the adoption of a comprehensive revision of its general reporting forms for issuers of listed and other publicly offered securities under the Securities Exchange Act of 1934. These forms, the SEC states, provide for the reporting of detailed financial and other information considered necessary to informed investment analysis and for the protection of investors. In the revised forms, the Commission has further eliminated the necessity for duplicating similar information in different reports. For instance, over half the items of information in the annual reporting form may now be omitted by companies filing proxy statements with the Commission since the same information is contained in the proxy statement. Similarly, companies which file reports with the Federal Power Commission, the Federal Communications Commission, or the Interstate Commerce Commission can file copies of those reports and their reports to stockholders in satisfaction of substantially all of this Commission's annual reporting requirements. These simplified reporting requirements should result in substantial savings in the burden and expense of complying with the Commission's reporting requirements; and the elimination of duplication in the annual reports and proxy statements for the more than 1 500 companies which file proxy statements will likewise result in economies in their examination and processing by the Commission.

The new forms also represent a step in the Commission's endeavor to encourage the publication of reasonably complete and detailed annual reports to stockholders. All reporting companies will be required to furnish the Commission, as supplemental information, with copies of their annual stockholder reports. The Commission intends to keep these in one file with proxy statements and other reports officially filed with it so that any interested investor can easily examine any available information about his company. At the same time, the reporting forms encourage the use of stockholder reports to satisfy the Commission's reporting requirements, particularly as to financial statements, when they contain the necessary information. It is hoped that this will lead an increasing number of companies to include in their stockholder reports balance sheets and profit and loss statements which are sufficiently full and detailed to meet the Commission's requirements. It is the Commission's experience that more and more stockholder reports now include this information.

The Commission has also adopted a comprehensive revision of its procedures governing the registration of new securities for exchange listing. The present requirement that applications for registration be filed for additional issues of a listed class of securities is eliminated, since the necessary information is available in periodic reports currently filed with the Commission. Thus, the filing of the additional application will be avoided without sacrificing any investor protection. The resulting saving in time and expense, both to the Commission and the industry, however, should be considerable.

The Commission also has simplified the procedures to be followed in the trading of securities on an exchange before issuance (on a "when issued" basis). The simpler new procedure provides equivalent protection to investors and has resulted in the elimination of over a dozen obsolete rules and forms.

Wagner Electric Stock Offered by G. H. Walker Group at $36 a Share

A nationwide syndicate of underwriters headed by G. H. Walker & Co., of St. Louis and New York, yesterday (Feb. 10) publicly offered an issue of 150,000 shares of common stock (par $15) of Wagner Electric Corp. at $36 per share. This represents stock after the 50% stock dividend which was declared by the directors, payable Feb. 17 to stockholders of record Feb. 8, 1954.

Wagner Electric Corp. now builds a broad line of A.C. and D.C. electric motors, including single-phase and polyphase, with both fractional and integral horsepower ratings and hermetically sealed motors; also power transformers, hydraulic-electric bridge-brake systems and controls for industrial equipment. In 1912 it entered the automotive field and now produces hydraulic and air brakes and related products and acts as a distributor of certain automotive products made by others. The sale of replacement parts for electrical and automotive equipment is an important factor in the corporation's business.

The directors of Wagner Electric Corp. have declared a cash dividend of 50 cents per share on the common stock to be outstanding following this financing. It will be payable March 19, 1954 to stockholders of record March 3, 1954.

Railroad Securities

Pennsylvania Railroad

While the railroad averages, and individual investment and semi-investment railroad stocks, have continued to push ahead at an encouraging pace, speculative issues have for the most part continued in the doldrums. There have been a few exceptions, such as the buying interest generated in New York Central on announcement that Mr. Young had acquired a substantial interest in the road and that he and his associates were seeking representation on the Board of Directors. However, even this spurt, which was presumably predicated largely on the feeling in some quarters that a proxy fight might be impending, was of short duration. New Haven securities have also reflected the prospect, very real in this instance, of a proxy fight. Other speculative issues have been ignored.

One reason for the lack of interest in railroad securities below investment grade is that prospective buyers are skeptical as to the ability of these traditionally high cost operators to bring costs under control in this period of declining traffic and revenues. There was certainly little in the November or December reports calculated to instill any great confidence on this score, although there are many analysts who believe that the late 1953 figures are not conclusive and that January and February results, which will begin to reflect the widespread, and widely publicized, furloughs, will make much more pleasant reading. If so, confidence might well begin to return to this group as well as to the higher quality section of the list.

One former investment favorite that has been a particularly poor market performer is Pennsylvania. Because of its record history for consecutive dividend payments and its fairly favorable operating record prior to World War II, Pennsylvania common had long been a familar name in investment portfolios. Since the end of World War II the operating performance has been consistently poor. For various reasons the road was among the latest of the major carriers to start dieselizing. Its yard situation has been poor. The constantly rising passenger service losses have been a major drain on profits from freight operations. The company handles a substantial volume of expensive l.c.l. and short haul carload freight. Finally, the company has extensive terminal operations and the cost of such operations has gone up particularly rapidly in the last 10 years. With all of these operating handicaps, Pennsylvania territory has had no particularly wide growth potentialities to bolster revenues.

In recent years the Pennsylvania management has spent lavishly on new equipment and on improvements to roadway property. There is still a substantial program for the future. To date the benefits from the expenditures have not been reflected to any substantial extent in operating results. In particular, analysts found the December earnings report quite disappointing. There has been, therefore, a growing feeling that the physical program has not as yet progressed sufficiently to afford an adequate cushion in a recession period.

In the month of December, Pennsylvania's revenues declined some $17 million compared to the closing 1952 month. Maintenance of way work was continued at a high level but accruals for maintenance of equipment were cut-back more than $8 million. Also for the month there was a Federal income tax credit of nearly $8 million contrasted with a debit of about $1.6 million a year earlier. Nevertheless, net income for the month came to only $4.2 million, or nearly $3.4 million less than in December 1952. The transportation ratio soared 6.6 points to above 50%. The poor December showing wiped out the cumulative gains of earlier months and for the full year per share earnings came to $2.81, unchanged from 1952.

Incorporated Investors Elect Parker, Devens

BOSTON, Mass. — Directors of Incorporated Investors announce the election of William A. Parker as Chairman of the Board and

William A. Parker   Charles Devens

Chief Executive Officer. One of the founders of Incorporated Investors in 1925, Mr. Parker has been President of this open-end investment company for over 20 years. The company has assets of $134,000,000 and 46,000 shareholders, resident in every state and several foreign countries.

The directors also announce the election of Charles Devens as a director and as President of the company succeeding Mr. Parker. Mr. Devens has been associated with the State Street Trust Co., Boston, since 1934 except for war service, and as a Vice-President since 1951.

Mr. Parker is also Chairman of the Board of Rayonier, Inc. and a director of Loew's Inc., and Northern Pacific Railway Company.

Mr. Devens graduated in 1928 from Harvard where he was a noted athlete in baseball and football. From 1941 to 1945 he was an officer in the Navy seeing action both in the Pacific and Atlantic and was discharged as a Lt. Commander. In 1953 he was general Chairman of the Greater Boston Red Feather campaign.

R. Winthrop Nelson Joins Paine, Webber Firm

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — R. Winthrop Nelson has become associated with Paine, Webber, Jackson & Curtis, 111 Pearl Street. Mr. Nelson has recently been with Shearson, Hammill & Co. and prior thereto he was a partner in Eddy Brothers & Co.

Mrs. Arline D. Hendey, also formerly with Shearson, Hammill & Co. is now with Paine, Webber, Jackson & Curtis.

Simpson, Emery Forming

PITTSBURGH, Pa. — Simpson, Emery & Company, Inc. is being formed with officers in the Plaza Building, to conduct a business in investment securities.

Oscar D. Griffin

Oscar D. Griffin, of J. W. Sparks & Co., New York City, passed away February 6th.

Continued from page 6

We Face a Test of the Economy's Strength and Resiliency

tried to be alert to the shifting of forces at work in the economy and to take appropriate action. A year ago, the System raised rediscount rates and followed a policy of restraint of excessive bank credit expansion in order to be on the safe side in guarding against inflationary pressures. At that time, speculative trends appeared to be developing in demands for credit, particularly for credit which might find its way into top-heavy business inventories.

As the inflationary threat abated in the late spring and summer, the Reserve System acted, beginning May 8 of last year, to provide assurance to financial markets and to business that legitimate needs for funds for stability and growth would be met, including those of business, consumers, and the Treasury. It was also clear by summer that the earlier excessive exuberance had disappeared. By easing credit, through reducing reserve requirements early last July, it was felt that inventory adjustments could proceed in an orderly manner. It was also felt that, if mortgage and other markets for longer term funds would become more settled, they would more effectively contribute their share to the maintenance of a high level of activity in housing, private capital investment, and State and local government projects.

In early autumn, and again near the end of the year, the Reserve System took further steps through open market operations to provide the reserves necessary to meet seasonal currency demands and deposit expansion. These steps, at a time of slackening private credit demands, contributed to a condition of active ease in credit availability, appropriate to a period of readjustment such as we have been experiencing.

Some Considerations, Looking Ahead

In looking beyond the next few months there are a number of fundamental considerations which need to be kept in mind in appraising economic developments and in shaping legislation designed to foster a continuing high level of employment and activity. These considerations, I think, merit attention:

In the transition to an economy dominated by private wants and competitive market forces, we need to reorient our thinking and to recognize that markets go down as well up. In our competitive, private enterprise economy, we rely primarily upon the operation of market forces in adjusting to changing conditions of demand and supply. That does not mean a fatalistic acceptance of low levels of activity but rather a conviction that our vast resources and energies can thus be utilized more fully in raising the standard of living.

Long-run growth in the economy must stem increasingly from private demands. Consumers purchase directly the bulk of the nation's output. In the period ahead as government requirements are reduced, private consumption should increase. Therefore, future growth of private demand depends largely on the willingness and ability of consumers steadily to expand their purchases. Business has to be constantly alert to potential shifts in consumer needs and buying psychology in order to anticipate and meet them by developing improved or new products and services at prices the consumer can and will pay.

Stocks of houses and of many durable goods have been greatly increased since the war. More than eight million permanent non-farm dwelling units have been built; the number of passenger cars on the road has increased from 26 million to 44 million. Even so, there is still a great need for housing as the number of households and the population continue to grow. Similarly, while the number of cars on the road has greatly increased, the number still in use that are 10 years or more old totals about 11 million. As to other durable goods, improvements have increased the rate of obsolescence of many old models and thus have added to replacement demand. Meanwhile, introduction of new types of durable goods should help to sustain a high volume of total output of consumer durables.

Plant and equipment expenditures of business in postwar years, despite their high levels, have not been markedly different in their relation to total national product from those in earlier years of high level activity. While expansion since Korea has been accelerated in various defense areas, it has been reduced in others. In the case of electric power, rapid expansion of demand has maintained strong pressure for investment in new facilities.

Increased levels of production costs resulting primarily from postwar inflation, together with the rapid development of technology, provide strong incentives for further large business capital expenditures. In many instances, these incentives are strengthened rather than weakened by more competitive markets. Industrial research is daily uncovering new opportunities for business investment.

We continue to have backlog needs for investment in commercial, office building, hotel, church, and hospital facilities, and the need for public works — schools, other public facilities, roads and highways — seems insatiable. The problem for the future is mainly how to translate these basic needs into effective market demand.

In the international economy, recovery in output and supplies and restoration of stable monetary conditions have gone far enough to enable the countries of Europe to participate aggressively in world markets. There has been growing belief in the possibility of linking together the market economies of free world countries into a single system with fewer barriers to trade and investment. If this country can maintain or expand its import volume and if further progress can be made towards financial stability abroad, a cumulative lifting of world trade and investment barriers appears to be quite feasible, thus opening the way for expansion of capital flows to, and trade with, underdeveloped and rapidly developing areas.

Private debt in this country has undergone swift growth during the postwar period—more rapid than would be likely in a period of price stability—but it is well to keep in mind that it was not at an unduly high level at the end of the war. National wealth, in real terms as well as in current prices, has increased more than debt over postwar years. This is in contrast with the 1920's when the substantial increase in private debt was barely matched by growth in wealth. At present, private financial positions — business and consumer — while much less liquid than at the end of World War II, are nevertheless relatively favorable in comparison with the prewar period.

I have touched on these various aspects of the economy because they are part of the background and foreground one must have in mind in connection with monetary and credit policy. The economic report before you summarizes what has been done in coordinating the field of debt management with that of monetary and credit policy—and I need not elaborate on it here.

I want to emphasize, however, the adaptability and flexibility of monetary and credit policy. It is and must be closely coordinated with debt management, but so far as credit and monetary policy is concerned, we are on our own in the Federal Reserve System. If we have erred, the responsibility is solely ours. The record demonstrates, I think, that we have sought to be alert to change, and if possible to anticipate it, and to adapt policy to it. In that, I think, lies another reason for the "cautious optimism" that I would say is my attitude towards the future of the economy. We will strive to make available that volume of reserves, which is difficult to measure with fine precision ahead of time, that will help to safeguard the economy from the "too much" that feeds inflation, or the "too little" that feeds deflation. In other words, the goal is a growing economy, and a rising standard of living. On that objective we can all agree.

Monetary Policy not Omnipotent

Credit and monetary policy is potent but not omnipotent. It cannot, alone, keep us on an even keel of forward progress. Yet without it, the goal of stable progress would, I think, elude us entirely. It must be timely, flexible, adaptable, as I have said, and it must not only be properly coordinated with debt management but it must be consistent with our institutions, including our concept of the market place. It is fair to say, I believe, that we have made notable progress during the past year towards freer, self-reliant money markets that are the hallmark of democratic, private enterprise institutions.

The considerations which I have touched on do not, to be sure, dispose of all the problems that can be raised respecting the future. A modern, progressive economy, activated and coordinated through the incentive play of market prices, will be characterized by instabilities in particular markets and by changes in the rhythm of total activity. The central problem of public as well as private policies is to maintain a steady and sustainable pace of general expansion. That is the aim of credit and monetary policy.

Continued from page 11

The Boom Has Come to an End, But No Deep Depression!

textile industry, did not do so well, was at a high level.

The industries that will do well in all probability will embrace:

(1) Food. People will continue to buy the necessities of life. I do not expect the disposable income of the people to decrease materially, and therefore I do not expect any decline in the purchase of necessities.

For example, during the decline in business activity in 1948-49, the index or production decreased by 16%. Disposable income, that is the amount of money at the disposal of American families to spend, decreased only by 3.6%.

(2) The construction industry, as I indicated before, will do well. There may be a change in the construction industry. Whereas until now a great deal of emphasis was laid on building new homes, from now on one can expect a greater effort to rehabilitate old homes. In all probability Title I of the FHA Act will be modified and this will make possible modernization of old homes, and it will create employment.

Soft Goods Industries

The soft goods industries, including the textile industry, in 1954 ought to do well. The textile industry already underwent two readjustments since the end of the war, first during the period of 1948-49, second during the period from about April '51 to April '52. Since April 1952, the textile industry adopted a cautious policy. Inventories are not large. Unless I am mistaken some stores lost business because they did not have the necessary merchandise desired by the public.

Moreover, the industry has long forgotten the days of the seller's market. They have found themselves in midst of keen competition. Styling is up to date and values are being offered to the people. Because the standard of living of the people is high, because the birth rate is high and every baby born immediately becomes a buyer indirectly of textiles, because inventories are pretty well related to sales, because the cost of food has somewhat decreased, because the expenditures for durable consumer's goods, notable automobiles, will decrease, I have reached the conclusion that the textile industry and the soft goods industries in general will have a good year in 1954.

I repeat, however, what I stated before, that competition will be keen, perhaps keener than ever before. Those who are ready to meet the competition will do well. Those who are not, well, there is always survival of the fittest.

The readjustment in my opinion towards the end of 1953 and during the first half of 1954 will be felt by the durable consumer's industries. They are undergoing their first transition from a seller's to a buyer's market. And just as in the textile industry in 1949 and again in the second half of '51 and the first half of '52, management had to teach their sales personnel to sell, so management in the durable consumer's goods industries today has to teach their dealers how to sell.

The day of taking orders, putting somebody's name on a piece of paper and promising delivery on doomsday unless the buyer is broad-minded—fortunately those days are gone. When you hear a great deal of squawking in the durable consumer's goods industries it is simply due to the fact that nobody wants to work harder and make less money. The days when cars sold themselves, television and radio sets and other appliances sold themselves, fortunately are a thing of the past. And since these industries also have large inventories their position may be somewhat aggravated by the liquidation of inventories.

This in turn will be accompanied by a reduction in consumer credit. Around the middle of the year consumer credit will have been reduced, inventories will have been liquidated and by that time the real postwar models of durable consumer's goods will come out, properly priced, and that will mark the end of the readjustment in that industry and we will resume our upward swing and go to levels higher than we had in '52 or in '53. This is the type of economy that I envisage.

What Will the Government Do?

You will have noticed that so far that I have said nothing of what the government will do. I have said nothing as to what measures the government may take in order to combat this readjustment for the simple reason that I believe that our economy is essentially sound and that what is expected of the government is merely certain stimuli in order to prevent a psychology of pessimism from developing.

In my humble opinion our economy is confronted by two dangers: (1) that a psychology of fear may develop, that people may hold back their purchases. And since ours is an economy based on a high standard of living, where a considerable percentage of the total expenditures are optional in character, the psychology of fear can have a pronounced influence on business activity, first because of its influence on the consumer, and secondly because of the influence that it may have on business management itself. Therefore, I believe the first task before us is to combat all those who preach gloom, which leads to fear.

The second danger is that as business activity decreases and labor also operates in a buyer's market, which means an increase in unemployment, that many business people may run down to Washington and say, "You have got to do something about it." And since this happens to be an election year, the Congress may be easily persuaded to spend a great deal of money to operate with a large deficit and renew again the spiral between prices and wages. And this to me would be a calamity.

I repeat therefore that what we may expect of the government is not huge expenditures but rather certain stimuli in order to prevent a psychology of fear from developing.

The measures that are at the disposal of the government to influence business sentiment and business activity are very great, and briefly they are these: The power of the government to regulate the flow of credit and capital, quantitatively and qualitatively. By quantitative credit control I mean a lowering of money rates and increasing the availability of bank credit. This in turn will set in motion the financing of the huge public works. This in turn will stimulate the financing of homes. This in turn will stimulate capital expenditures by corporations.

By qualitative credit and capital control I mean to regulate the flow of capital into channels where it will do the most good for the economy of the country as a whole. Through the FHA, through VA, through the Housing Act of 1948-49 the government has the power to stimulate materially the building of homes on an individual or multiple basis.

These measures do not require large deficits by the government. These measures if finally adopted do not lead to a renewal of the spiral between prices and wages.

The powers of the government are fiscal in character. Already personal taxes have been reduced by 10%. That will increase the disposable income of a great many people in the country. And what will the people do with the money? They will either spend it or invest it, and in either case it will stimulate business activity.

The excess profits tax has been eliminated. In my opinion the elimination of the excess profits tax will benefit, not the stockholder but the ultimate consumer. It may lead to somewhat lower prices, or better quality goods.

Through the modification of the

depreciation provisions of the Internal Revenue Code I believe the government can stimulate materially capital investment, investments by corporations. While initially this will lead to a decline in the revenue of the government, in the long run the government will gain from it.

Stimulus of Reduced Excises

An other stimulus that the government can give to the economy is to reduce excise taxes, particularly on those items that are considered as necessities. A reduction of excise taxes will be tantamount to a lowering in price, and in my opinion this will stimulate business activity and in the long run the government will gain more than it loses in revenue from the reduction of certain excise taxes.

These are the measures at the disposal of the government which in my opinion will give the economy of the country the necessary stimuli without making it necessary for the government to spent huge amounts of money and operate with a large deficit.

What conclusions can we draw from all this? The present is the result of the past. It serves as a portent for the future. The past was marked by an economic void, created during the war, and during the depression. It was the result of the rapid increase in population, the rising standard of living, and the imposition of a garrision economy on the United States.

All these forces combined created a seller's market, created the greatest boom in the history of the United States.

The vacuum has been filled. Despite the fact that the vacuum has been filled, in spite of the fact that since July business activity has decreased, commodity prices on the whole have remained stable. While the gross national product during the third quarter of 1953 was by 1% smaller than during the second quarter, disposable income in the hands of the people actually has increased.

Conclusions

Our economy is essentially sound and growing. No abuse of any importance has taken place. Certainly there has been no abuse of bank credit. The sharp increase in consumer credit, the sharp increase in mortgage indebtedness, is not large, if contrasted with the large savings of the people and if contrasted with the disposable income.

Moreover, the increase in the economic security of the American people has created a willingness to mortgage the future in order to meet present demands.

But the boom is over, and now we find ourselves in the midst of readjustment, a rolling readjustment which will affect primarily the durable consumer's goods, and which will be in part aggravated by the liquidation of inventories.

But since the liquid savings in the hands of the people are large, since a material decline of disposable income of the people is not likely to take place, a substantial decline in business activity is not likely, and most industries are not likely to be affected by the readjustment. Competition however will be keen, perhaps keener than ever before.

The main danger ahead of us is fear, fear that history will repeat itself, and history tells us that every major war was followed by a period of boom and inflation, followed in turn by a period of depression and deflation.

History will not repeat itself. The economy of the country today is entirely different from what it was 20 years ago. Not only is the economy sound, but also there is a legal obigation on the government to take all measures at its disposal to fight a depression. The powers of government to influence business activity are very great. In my humble opinion 1954 will be a good year for all those who prepare themselves to meet keen competition.

In closing I merely can repeat what I said last year: If I were a businessman, which I am not—and you know what George Bernard Shaw said, "Those who know do, and those who don't know teach." If somebody tells you that I am an economic adviser I merely recall to you the prayer of the old colored preacher, who went on his knees and he prayed long and hard. He prayed, "Use me, Lord, use me more, Lord, preferably in an advisory capacity."

It is so easy to give advice. It is an entirely different thing to stand on the front line and fight it out. But if I were a business man I would ask myself this question:

"Am I a low cost producer? Am I a low cost distributor? Have I instilled in the minds of the people who work with me and under me that the survial depends on meeting competition?" If I have done all this then I would say 1954 will go down in history as a good year.

Continued from page 5

The State of Trade and Industry

be considered a representative gauge of steel demand, for it uses one-fifth of all the steel produced in this country.

The United States auto industry's aim for this quarter is production of 1,497,300 passenger automobiles. It turned out 459,000 in January and expects to make 479,000 in February and 559,000 in March. While that March figure is higher than those for January and February, the daily rate of out-turn is about the same for all three months. March has 23 working days. January and February each have 20 this year. On the basis of these figures, the daily rate of output in January was 23,000 passenger autos and the daily rates for February and March will be 24,000 and 24,300, respectively, continues "Steel."

The larger number of working days in March also will most likely make that month's tonnage of steel output the largest for this quarter even though the daily rate of production remains steady. Thus far there is no evidence of an upturn in steel demand, declares this trade journal. Over-all it's constant. With demand less now than supply, buyers are ordering only for current needs, and are insisting on immediate delivery. In some cases, steel users are said to be living off inventories yet. Because of these conditions, steel consumers are not inclined to order far in advance of needs. Consequently, steel producers are having difficulty getting a clue as to just how good March will be. Not only are March order books wide open but there are still openings for February deliveries, it states.

Reflecting the rather constant demand for steel, output of steel for ingots and castings is moving in a sideways fashion. For the week ended Feb. 7, "Steel" estimated production at 74% of capacity, compared with 73% in the preceding week. This yields approximately 1,765,000 net tons. This is 20% below the output of 2,202,000 tons in the corresponding week of last year.

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 74.0% of capacity for the week beginning Feb. 8, 1954, equivalent to 1,764,000 tons of ingots and steel for castings, as against 1,774,000 tons and 74.4% (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 74.3% and production 1,772,000 tons. A year ago the actual weekly production was placed at 2,248,000 tons and the operating rate was 99.7% 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 Shows Further Easing

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Feb. 7, 1954, was estimated at 8,674,000,000 kwh., according to the Edison Electric Institute.

The current figure represents a decrease of 181,000,000 kwh., below the preceding week, but an increase of 545,000,000 kwh., or 6.7% over the comparable 1953 week and 1,218,000,000 kwh. over the like week in 1952.

Car Loading Register 1.8% Rise Above Week Ago

Loadings of revenue freight for the week ended Jan. 30, 1954, increased 10,964 cars, or 1.8% above the preceding week, according to the Association of American Railroads.

Loadings totaled 628,190 cars, a decrease of 69,252 cars, or 9.9% below the corresponding 1953 week, and a decrease of 103,028 cars or 14.1% below the corresponding 1952 week.

U. S. Auto Output Continues Lower Trend

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

The industry turned out an estimated 105,386 cars last week, compared with 110,102 (revised) in the previous week. A year ago the weekly production was 115,643.

Last week, the agency reported, there were 20,216 trucks made in this country, as against 23,017 in the previous week and 22,089 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 9,109 cars and 1,950 trucks last week, against 8,992 cars and 1,567 trucks in the preceding week and 7,253 cars and 1,824 trucks in the comparable 1953 week.

Business Failures Rise Slightly

Commercial and industrial failures edged upwards to 238 in the week ended Feb. 4 from 233 in the preceding week, Dun & Bradstreet, Inc., reports. While casualties were up sharply from the 1953 toll of 159 for the similar week and the 1952 toll of 134, they continued 25% below the prewar level of 318 in 1939.

Failures involving liabilities of $5,000 or more rose to 203 from 195 last week and were considerably more numerous than a year ago when 126 occurred in this size group. Among small casualties, with liabilities under $5,000, there was a dip to 35 from 38, but they remained slightly above their 1953 total of 33. Fourteen of the failing businesses had liabilities in excess of $100,000, as compared with 16 in the previous week.

Wholesale Food Price Index Develops Easier Trend

Easiness in grains and other foodstuffs were responsible for a slight dip in the Dun & Bradstreet wholesale food price index last week. The index for Feb. 2 fell to $7.01, from $7.02 a week earlier. It compared with $6.13 on the corresponding date a year ago, or a rise of 14.4%.

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 Trends Slightly Lower For Week

Following an early rise, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., turned downward to close slightly lower for the week. The index finished at 275.03 on Feb. 2, against 275.83 a week earlier, and 278.63 on the corresponding date last year.

Grain markets trended moderately lower last week, in rather dull trading.

Wheat was under considerable pressure as the result of the top-heavy supply situation and the disappointing outlook for export trade.

Stocks of wheat in all positions as of Jan. 1 were reported at 1,332,000,000 bushels. This represented the largest Jan. 1 stocks of record and an increase of 20% above a year ago. Stocks of corn in all positions on Jan. 1 were the second largest of record and totalled 2,676,000,000 bushels, or 5% above a year earlier. Trading in all grain and soybean futures on the Chicago Board of Trade last week dropped to a daily average of about 43,200,000 bushels, from 48,600,000 the week before, and compared with 41,500,000 a year ago.

Trading in hard wheat bakery flours was very quiet at the week-end following moderate to fair activity in Spring wheat varieties around mid-week as the result of some price concessions by mills. Cocoa values resgistered declines for the second consecutive week. The easiness reflected a lack of dealer support together with prospects for a good Brazilian mid-crop should weather conditions remain favorable. Warehouse stocks of cocoa on Feb. 1 were reported at 74,697 bags, up from 62,018 a week earlier, and 70,936 a year ago. Spot coffee prices were mostly steady last week.

In the futures market, prices fluctuated rather violently and trading slowed considerably as the investigation of the coffee market by the Senate Banking Committee got under way.

The gradual uptrend in spot cotton prices continued the past week.

Aiding in the rise was the publication of the mid-January parity price figure which showed a higher-than-expected advance of 37 points to 34.72 cents a pound.

Also helping to support the market were the continued heavy movement of cotton into the government loan, and improvement in mill demand and a sharp increase in export sales. Domestic mill demand covered a wide range of qualities for both prompt and deferred delivery. Reported sales in the 10 spot markets last week declined to 141,900 bales, from 197,000 a week previous, and 177,300 in the like week a year ago. CCC loan entries in the week ended Jan. 22 totalled 210,600 bales, bringing the total for the season through that date to 6,239,200 bales.

Trade Volume Declines Below Level of Preceding Week

Retail sales in the period ended on Wednesday of last week were slightly below the preceding week, although they were somewhat above the comparable 1953 period, according to Dun & Bradstreet, Inc. Merchants continued to find it necessary to promote more heavily than at this time a year ago. Weather had a definite influence on the level of sales in the latest week as differences were rather marked in the various regions.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 1% to 5% above the corresponding level of a year ago. Regional estimates varied from the comparable 1953 levels by the following percentages: New England and East + 2 to +6; South and Midwest +1 to +5; Northwest and Pacific Coast 0 to +4 and the Southwest —1 to +3.

Spending for food purchases was higher than at the same time a year ago and was somewhat above the preceding week. Purchases of beef rose in the week as prices were cut somewhat.

Coffee sales dipped again as growing price resistance was noted, while sales of tea were substantially higher than in 1953 and above the preceding week.

Wholesale volume in the week continued to be below the year-ago level and was somewhat below the preceding weeks.

Purchases continued to be placed on a short-term basis as more and more buyers sought price concessions.

Many of the orders placed in the past week were of a test nature and the level of trading was expected to rise soon.

Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index, for the week ended Jan. 30, 1954, decreased 1% below the level of the preceding week. In the previous week, Jan. 23, 1954, no change (revised) was reported from that of the similar week in 1953. For the four weeks ended Jan. 30, 1954, a decline of 1% 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 City the past week registered a general decline of about 7% from the like week one year ago.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Jan. 30, 1954, registered an increase of 3% from the like period of last year. In the preceding week, Jan. 23, 1954, an increase of 9% was reported form that of the similar week of 1953, while for the four weeks ended Jan. 30, 1954, an increase of 1% was reported. For the year 1953, a decrease of 1% was registered from that of the 1952 period.

Continued from page 16

Is Selling a Key to Sustained Prosperity?

of selling expenditure are subversive. The truth does not lie in between but elsewhere. Our proliferation of selling activity is the counterpart of compartive opulence. Much of it is inevitable with high levels of well being. It may be waste, but it is waste that exists because the community is to well off to care. . . . " . . . Those who are persuaded that the buyer is victimized need to realize that, in the first instance, he is the victim of his own comparative well being. . . . "There is a legend, with a great appeal to simple men, that Americans are a nation of salesmen because they have some peculair virtuosity in this craft. There are more salesmen, and salesmanship is more highly developed in the United States than elsewhere in the world. But the explanation lies not with national character but with national wealth."

Salesmanship Related to Technology and Product Innovation

I think this is a valid position but for somewhat different reasons than Galbraith's. There is undoubtedly some subtle and probably important relation between technology, product innovation and selling effort; and technological progress is a strong and recurring theme in the history of the American economy. The relation of selling effort would appear to be largely in terms of the incentive effect it provides for investment in new product developments. It is a relationship little analyzed and not widely understood.

In the broad context of historical development, it seems clear that rising levels of income and a trend towards an increasingly equal distribution of income have lifted us beyond the level of basic products to higher plateaus where an increasing number and variety of goods are made available. These are "discretionary products" which, in the nature of the case, depend upon greater sales effort than is true of undifferentiated basic product types. It is the character of our production which really determines the nature of our selling effort. But this would not deny that over a long haul, there is an interaction between sales methods and the character of production.

We have so far discussed something of the long run relation between selling effort and national output. We turn now to the second aspect of sales effort and prosperity. This is the issue of selling effort and the business cycle. In today's context, the question might well be phrased, "Will advertising sustain the boom?"

Advertising and Business Activity

There are at this time — and have been for several months past —significant misgivings about the volume of business activity in 1954. While there have been articulate spokesmen on both sides, a substantial majority of the predictions suggest we are likely to have a downturn in business in the coming year—albeit of limited nature. I shall not review the evidence either to support or to deny these forecasts. I shall be content with expressing a moderate level of concern about the possibility of a moderate decline in business activity in the year ahead.

As a consequence of the forecasts, the business press has been filled with alarms. Almost as quickly as one would hear a gloomy forecast for 1954, statements would appear that business men would bring on a depression if they didn't quit talking about it. It has been urged widely that we do not need to have a depression — or a slowing up of activity — if we recapture our former agressive selling attitudes. It is held that the effectiveness of the "hard sell" has been blunted by the high levels of business which have prevailed nearly all the time since the end of World War II.

The diagnosis and the remedy are well typified by a statement which appeared in the Nov. 15, 1953 issue of the New York "Times," The date line was Detroit: The headline was "Salesmanship Key to '54 Auto Output." The story read:

"The automobile industry next year will have to depend on salesmanship to keep its production at a high level.

"The part that sales efforts will have in next year's auto market is being emphasized by every car maker in the recurring conferences with dealer councils and sales representatives generally."

Another such expression came several weeks ago in an article by Paul G. Hoffman in the New York "Times Magazine" (Nov. 15, 1953). This distinguished business statesman said: ". . . There is absolutely nothing wrong with our economy that a higher volume of hard-hitting advertising and sales promotion by business, and 100,000 good creative salesmen could not cure.

"The degrees to which aggressiveness in retail sales programs and initiative in salesmen has disappeared in the past 12 years of a sellers' market is amazing. . . .

"What would happen if 100,000 salesmen began asking people, individually, to buy things?

"There would be no danger of spendable income staying frozen, and there would be not even so much as a dip in the economy."

There has long been discussion about the feasibility of selling expenditures contributing to economic stability. Whatever the convictions of business men have been in the past, if advertising expenditures are taken as a guide to selling expenditures, business men have behaved in the past as though advertising would not contribute to business stability — at least for their own individual businesses. There is a consistently parallel action between advertising expenditures and the volume of business activity.

It is particularly interesting that at this time when there have been so many statements about the prospects for a decline next year that there also have been predictions that selling expenditures will probably increase.

Not so long ago (Nov. 4, 1953) the "Wall Street Journal" reported:

" 'Wall Street Journal' reporters based in 13 cities across the land have just polled a cross-section of American business on advertising plans for next year. Of the 92 companies checked, 59 expect to boost their ad spending, 29 to keep it about the same. Only four firms plan budget cuts. The vast majority of the companies canvassed reported their ad outlay is already at a record high."

In order to answer the question of whether we can sustain the boom — that is, the question of whether selling effort can achieve a contracyclical effect—let us review briefly the magnitude of the problem which we may face in 1954.

I make no pretense of being an authority on economic forecasts, and I hasten to make it clear that I am using estimates developed by others. It seems preferable, however, to use specific terms—or numbers—for clarity. In doing so I presume we all should keep in mind the nature of forecasting. As "Grey Matter" recently pointed out:

"Someone said recently: Forecasting consists of making guesses concerning what guesses the public as a whole will make in the near future concerning the more distant future about which they have no evidence. And even though the public may guess wrong, and act accordingly, our job is to 'guess' the wrong guesses of the public — even though we may ourselves make the right guesses. Such is the art of forecasting."

With this cautionary note in mind let's look at the current situation.

Gross national product has been estimated for 1953 at $367 billion. Of that amount consumer expenditures are approximately $230 billion distributed as follows: nondurable goods and services, $200 billion; durable goods, $30 billion. In addition to the total of $230 billion of consumer expenditures, all other expenditures approximate $137 billion.

I am told that if we want to assume a goal of maintaining the present very low levels of unemployment, and assuming a continuation of the present wage and price levels, gross national product for 1954 should grow to around $378 billion. This figure rests on the assumption that the labor force will grow at the rate of about 1% and productivity at about 2%.

Looking now at the 1954 forecasts of high levels of economic activity, which can be called the most optimistic of the pessimistic forecasts, it appears probable that the "all other expenditures" will probably fall from $137 billion—the 1953 estimate—to around $130 billion.

Even on the assumption that consumer expenditures will be maintained in 1954 at the 1953 levels, we will face a decline of something in the neighborhood of $7 billion in gross national product. This must be compared with the fact that we would require a rise of $11 billion in gross national product if present levels of employment, wages and prices are to be maintained in 1954.

If consumer expenditures are to take up the slack left by the expected decline in $7 billion in the "other expenditures" category, consumer expenditures must rise in 1954 by $7 billion. If, however, consumption is to take up the additional slack due to growth of the work force and in increased volume of capital equipment, consumer expenditures would have to increase another $11 billion—or a total increase of $18 billion.

I am not prepared to argue the exact validity of the particular numbers that are used in this discussion, but even allowing for substantial error, it seems clear that consumer expenditures would have to increase markedly if we are to avoid any decline in GNP, much less achieve an increase in the level of national output.

In talking about selling effort as an antidote to cyclical decline, we must be careful to keep in mind that we are talking about cyclical policy rather than long-term matters. This is, of course, the heart of the problem. The question is, "What effect might increased selling expenditures have on consumption patterns and on the level of expenditures in the short period—the year or the two-year period ahead?"

Expenditures on Durable Goods

In large part we face the possibility of substantial amplitude in the volume of spending because we are so rich. Some measure of our wealth is suggested by the volume of expenditures on durable goods, which in 1953 amounted to $30 billion.

There is, of course, a good deal of discretion with respect to expenditures on durable goods, and such spending is subject to marked acceleration as was the case in the latter part of 1950—or significant slowing down as occurred one year later.

More and more we are lead to believe that consumer expenditures are not a simple function of the level of income and the volume of liquid assets.

Factors in Variability in Expenditures

Professor Katona has given us a useful framework in which to think about cyclical variability in expenditures. He suggests that expenditures are a function of three classes of factors: "enabling factors," of which income is only one; "physical factors," such as deterioration in perishable products and non-durable goods; and finally "attitudinal factors," which are partly a matter of expectations concerning income and prices, but also of other factors.

The subsistence level of life is so remote from characteristic expenditure patterns in the American economy that the attitudinal factors are probably particularly important. The adequacy of consumer stocks of goods is very markedly a matter of attitudes rather than physical fact. This is clearly indicated in the case of automobile sales, for example, where the use-life of the product far transcends the life over which the average consumer is interested in driving his car.

It is far more a matter of what our income is and how we view the problem of how old our car is than it is a matter of physical deterioration of an automobile that leads us to purchase a new model. As we become increasingly rich, the matter of attitudes in determining decisions to spend probably becomes increasingly important. At higher and higher levels of income, we have increasing discretion in terms of decisions to save or spend.

The unfortunate fact is — and the reason why it is difficult to say anything very definite on the topic of this talk — is that we know so little about the attitudinal factors affecting decisions to spend. While we don't know much about long-term factors affecting spending pattern, we know even less about short-term elements.

Insofar as selling effort may be a useful contra-cyclical weapon, it must be because of the impact of selling effort on consumer attitudes. While there is some evidence—of varying degrees of accuracy—that particular sellers or industries have found aid in expanding markets through added selling effort, there is little or no evidence of the impact of added selling effort on aggregate consumer spending in the economy.

The fact that the citrus growers believe there is evidence to support the conclusion that advertising greatly expanded the market for citrus fruits only suggests that advertising was successful in that instance. It provides no evidence about how successful such a policy might be if adopted universally by all sellers at the same time.

It is probably true that with additional selling effort, we face some sort of law of diminishing returns. Surely as the volume of selling effort mounts, additional increments of selling effort become less effective simply by virtue of the high noise level with which new selling expenditures must compete.

It must be obvious that part of an increase in market share for a particular seller or a particular industry is derived at the expense of other products or other industries. Assuming that all dealers simultaneously increased selling effort, a large part of it would wash out. It is inevitable that to the extent that products are competitive, added selling effort cannot possibly expand the market for both as a consequence of the selling effort, except as their own industry market may be expanded at the expense of another industry. In the case of the total economy, of course, all industries are competitive with respect to one another. Thus, we must expect to be disappointed in terms of the large cancellation effects of additional selling expenditures. However, it is not inconceivable that selling effort could decrease saving, thereby increasing consumption out of a given level of income. If that could be done, a strong case could be made for the contra-cyclical effects of added selling effort, but there is no evidence as to short-term aggregative effects of selling effort on decisions to save.

Analyzing Effectiveness of Sales Efforts

A basic problem in making a judgment about the effect of larger selling expenditures — or greater selling effort—lies in the ambiguity in interpreting sales results as a consequence of added selling effort. It is well known that for any given level of selling expenditure for a particular company, there may be substantial differences in effect. The effectiveness is not a simple function of the level of expenditure. It is at least as much a function of the effectiveness of the sales effort. For example, a $10 million sales campaign created by one agency may be quite a bit more effective than a $10 million campaign of another agency. Similarly, the same campaign at different times may have substantially different effects. Indeed, it is probably not beyond belief at all that a $1 million campaign may be so designed and timed that it will be more effective than a campaign less well designed but costing twice as much.

It may be asked—if raising the level of selling expenditures does nothing else but simply helps maintain the stream of expenditures, is it not worth doing? From the point of view of the economy as a whole, advertising expenditures, like any other spending, tend to create additional employment and income, which in turn produce more pending.

Ninteen fifty-three expenditures on advertising amounted to $7 billion. Raising the level of such expenditures is clearly effective in offsetting declines in other categories of expenditures such as government purchases. Expenditures on sales efforts are, however, no better and perhaps not as good as expenditures of certain other kinds. In terms of contra-cyclical policy, a policy of increased selling expenditures is at worst comparable to a public works project under the auspices of private enterprise— a kind of free-enterprise leaf-raking project.

The Real Danger

It seems to me that one real danger of the widespread adoption of the doctrine that we can sell our way out of a business decline is that such a course of action may not succeed. In the event that substantially increased selling expenditures do not reverse a depression, we may destroy businessmen's faith in the effectiveness of certain kinds of selling effort.

The long term effects of advertising and selling efforts are important — but its impact is a gradual one. Surely pa[illegible] advertising ought to mean a[illegible] l[illegible]ast some short-term rigidity i[illegible] [illegible]uying behavior if advertising [illegible] truly effective. This mean[illegible] [illegible] the prospect of short-term impact should not be exaggerated.

Thus, where are we left?

As I mentioned earlier, the answer to the question can advertising sustain the boom? is "perhaps, but probably not." Such a tentative reply does not mean that advertising and selling effort should not be undertaken. It means rather that decisions to increase selling effort should be made not in terms of any theological doctrine about saving the country from depression, but should instead be made on the basis of the peculiar market situation which each individual firm faces.

It may well be the case that particular firms should increase selling effort in the face of a prospective decline in national income. They may even improve —and in certain cases undoubtedly have improved the level of sales and profits over what they otherwise would have been. My answer to the basic question would also suggest that selling effort should be contracted by certain firms under certain conditions. In general the rule should be that each company faces a peculiar marketing problem, and the tactics and strategy appropriate to one are not necessarily appropriate or even usually appropriate to another.

This is perhaps a depressing kind of conclusion—especially to the evangelical sects of the sales-minded community.

Selling in Relation to Product and Price Policies

I would not like to leave you with the notion that each seller must leave himself to the mercy of fluctuating income. There are many strategies apart from selling effort—and, indeed, perhaps selling effort broadly and appropriately defined should include such matters as product policy and price policy.

We are far too prone to consider changes in pricing policy as a last resort. A strong case can be made for appeals to price reduction and product improvement as a means of combating shrinking national income and a growing reluctance to spend. There is at least a strong *a priori* case to be made in favor of considering price reductions — and increasing attractiveness of the terms of trade — as a weapon against shrinking markets.

Perhaps the strongest case can be made for product development and innovation in marketing methods as antidotes to unhealthy markets. Getting people to spend their money depends upon offering them ways and means which make it more attractive to spend now than to save in anticipation of added enjoyment at some later date. In terms of spending for its own sake — to maintain the stream of consumer expenditudes —perhaps a better case can be made for additional expenditures on product research and even market research than can be made for increased selling expenditures, although even these often have unpredictable and only long-term effects. The expenditures on research are equally good for maintaining a flow of income, and likely to prove at least as promising as stimulants to an upturn in consumer expenditures.

The not very dramatic but probably the most promising line of attack is careful definition of the marketing problem faced by each seller and the adoption of that combination of price, product and promotion policies which is most appropriate for each seller's problem. There will inevitably be mistakes. In an uncertain world as naive confidence in our powers of prognostication is not less to be discouraged than a too quick adoption of any particular panacea.

I must come — tentatively at least, and in the absence of more information about what affects people's attitudinal factors—to the same conclusion which Sumner Slichter has reached. This is good company to be in. I suggest that Professor Slichter's comment sums up the case very well and far more briefly than can be done if one has made a commitment to talk for 30 minutes. Slichter has recently said:

"After all, the potential demand is there. Individuals already have the money, but they are saving it, not spending it. In order to sell $5 billion more goods a year business has only to compete more effectively with the consumer's desire to save. This means offering the consumers more attractive goods at more attractive prices. The American consumer today is so overwhelmed with vast quantities of advertising from the radio, television, magazines, billboards, and newspapers that he is more or less immune to still more advertising. But, he does wish better goods at more attractive prices."

This tentative conclusion is I think clear—increased selling effort may be effective. But it is certainly going to be more effective if it is combined with more attractive products and more attractive prices.

And it may well be not so much a matter of more selling pressure as of **more effective** selling pressure. This audience hardly needs to be told how little we know and how much we have to learn about selling methods.

A wider adoption of the "hard sell" approach means then not just pressure and promotion, but it ought to mean adventurous product development, some price reductions, and that degree of promotion without which the customer won't buy the better mousetrap.

With First of Michigan

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Arthur J. Wilson and Mrs. Otylia Z. Myers have become associated with the First of Michigan Corporation, 135 South La Salle Street. Mr. Wilson was formerly with Cruttenden & Co., and H. Hentz & Co., and in the past was with Davies & Mejia in San Francisco.

Joins Glore Forgan Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—David T. Murphy has become associated with Glore, Forgan & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Murphy previously was with Continental Illinois National Bank & Trust Company.

With Ames, Emerich & Co.

(Special to THE FINANCIAL CHRONICLE)

STURGIS, Mich.—Frank L. Tennent has become associated with Ames, Emerich & Co., Inc., of Chicago. He was formerly with Vercoe & Co., of Columbus and prior thereto was Sturgis representative for A. C. Allyn & Co., Inc.

Leason Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Hayden L. Leason has joined the staff of Leason & Co., Inc., 39 South La Salle Street.

With Selected Investments

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—James O. Ferry is now with Selected Investments Company, 135 South La Salle Street.

Joins Thomson, McKinnon

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Charles N. Sayre is now associated with Thomson & McKinnon, 231 South La Salle Street.

Continued from page 14

The Long View Is Important

he viewed this development as a boon to highway safety as it would free the country from drunken riders and wild horses. A British socialist during the 19th century foresaw the period when it would be unnecessary for children to work more than 10 hours a day.

The economist Jevons, in 1860, was alarmed at the possible exhaustion of the earth's coal supply within a few years. I have heard similar predictions on petroleum almost yearly since my college days. Sir William Crookes, a distinguished scientist, saw early starvation of the race through diminishing supplies of nitrogen. What he did not foresee was that chemistry through nitrogen fixation would within a generation or so prove his error.

Genius and Inventiveness—A Factor in Progress

I could go on with similar examples, but it should be evident that the progress of genius and inventiveness is something that is always underrated. I think, therefore, that those who become unduly alarmed at our short-term prospects are guilty simply of economic myopia. They forget that our economic orbit is shaped not by inventories, government spending, or any of the host of business indicators but by human courage, desires, and incentive.

There has been much speculation as to the reasons for this spectacular advance of our American economy. Some have ascribed it to the size of our continent, some to our raw material resources, some to the strength and vigor of our people. To me the answer is a simple one. It is nothing more than human ingenuity operating in an atmosphere of individual freedom and incentive.

Genius and inventiveness are found among the people of every nation. They are not an American monopoly. But the atmosphere of freedom in which we Americans live and work is unique among nations. It is in itself a creation of man's genius, an experiment born of dissatisfaction with the authority of the state, the guilds, a rigid social order, and all of the confining trappings of 18th century Europe. Our experiment in government has succeeded beyond the fondest expectations of its founders for not even they could foresee the effects of man's daring, vision, and creativeness set free to operate without let or hindrance.

The direction of our effort has changed over these two centuries of our national existence. Our first hundred years were the years of the pioneer, the explorer, setting out from the comfort of the East to conquer and settle the unknown West, to bring our continent under the plow and to create an agricultural abundance for our growing population.

In recent times we have become an industrial, not an agricultural nation, and it is our factories and our industries to which we look for the ever more abundant life each one of us seeks.

The 20th century pioneer has turned from land and mine to the much more challenging exploration of the physical sciences. Our frontiers have moved from the West into the research laboratory and in that move have become frontiers without limit.

Research Will Give the Upward Surge

Today it is research that gives the American economy its characteristic surge and its dynamic qualities. And research requires people with the same courage, vision, and determination as those who a century ago crossed the Western Plains.

In the pioneering of the laboratory we ecounter the same risks, the same disappointments, the same frustrations. Research today requires large organizations of technical specialists and elaborate facilities. It requires time, for the interval between the start of a research project and its successful conclusion becomes longer as scientific techniques grow more complex. And it requires enough financial confidence and patience to allow for the long succession of failures that accompany every commercial success.

There is no essential difference between the explorers and homesteaders of the past and the scientific pioneers of the present. Both require faith in their objective, confidence in the future, and the knowledge that the rewards of success are there to be reaped and kept if success attends their efforts.

And the results achieved in our laboratories and factories have indeed been staggering. We have only to go back in retrospect to our youth to see what enormous benefits science has brought in one short generation.

Let me again quote a few figures from the Du Pont Company's experience. In the past 25 years the Du Pont Company has spent approximately $475 million on research, excluding the cost of the buildings and equipment with which our research is done. Over the same period of years expenditures for new plants and equipmen have been approximately $1,400 million. In other words, we have spent about three dollars in productive facilities for every dollar spent in the research laboratory. And this ratio of three to one has been relatively constant over an even longer period during which our annual research bill has grown from $1 million to $50 million. During this same 25 years our employment has increased from 38,000 to 90,000. That growth in employment is the net of the jobs created through the introduction of new products less those lost through increased productivity. Obviously the leverage of research in making new employment opportunities is enormous.

And that is by no means the end. For many more employment opportunities have come about elsewhere as a result of our research activities. A new material, such as nylon or cellophane, becomes the basis for increased business activity on the part of those who fabricate and sell the finished products arising out of the new basic materials which only a large business can supply. Others find new employment possibilities in the manufacture of machinery, tools and equipment necessary to these new uses. How large a circle this becomes would vary, and its radius is hard to compute, but as an example, we have estimated that for every one of our 5,000 employees making cellophane, there are two workers engaged in its conversion and distribution, whose jobs were created as a direct consequence of the development of cellophane.

I cite the Du Pont Company's figures only by way of example, for while our present $50 million annual research bill is large in the absolute, it is a very small fraction indeed of the industrial research that is being done in the country's industries.

Our Economy Has Not Matured

There has been some talk in past years of the possibility that our economy is maturing, that we are reaching an industrial plateau from which we will progress only as our population increases. That point of view seems to me to be nonsense. For it is tantamount to saying that the last scientific barrier has been crossed, that there is no fruitful objective for further research, and that man's appetite for a more abundant life has been fulfilled.

On the contrary, in the 50 years or so during which we have practiced applied science, it seems to me we have made only the smallest of forward strides, and the horizons before us are unlimited and extend far beyond our present vision.

I cannot and would not try to predict the precise shape of things to come. I know that were I to do so, future events would show simply that I had been shortsighted. But I am very sure that great progress will be made and that the shape of industry 150 years from now, were I to come back and look at it, would surprise me just as much as the founder of the Du Pont Company would be astonished at the heights to which his little business has grown.

It is essential as we make our way through the squalls and alarms of 1954 that we keep our eye on the main goal, which is the continuation of our progress to greater productivity, to greater abundance, to new products for the betterment and simplification of our lives.

I do not think this requires us to forsake the search for what we call security. It does require us to know precisely what we mean when we define security as our goal.

In the early days of the last century, there was a kind of security in the well-established settlements of our Eastern seacoast. The pioneers who journeyed westward across harsh and inhospitable country were not unmindful of the blessings and comforts they had left behind. But they perceived that, in the long view, a greater security was to be found in the enterprise that led them west. And today, in accepting the risks and hazards implicit in industrial progress, we reach for the only real security—the abundance that enterprise will bring.

We must not accept a definition of security that merely preserves the status quo, for that will lead to stagnation and something like the Dark Ages of medieval history—that, you will recall, was a depression that lasted more than 800 years.

If we are to avoid it, we must most of all keep alive that spirit of confidence and optimistic venture that has been so fruitful in the past. We must remember that America was built by people who wore rose-colored glasses. For them and for us the air is clear, the sunshine is bright, and the horizons present exciting vistas.

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. 12	§74.0	*74.4	74.3	99.7
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 12	§1,764,000	*1,774,000	1,772,000	2,248,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 30	6,257,200	6,292,300	6,252,800	6,522,300
Crude runs to stills—daily average (bbls.)	Jan. 30	¶6,948,000	7,018,000	7,011,000	6,933,000
Gasoline output (bbls.)	Jan. 30	23,731,000	24,241,000	25,192,000	23,392,000
Kerosene output (bbls.)	Jan. 30	2,682,000	2,753,000	2,505,000	2,952,000
Distillate fuel oil output (bbls.)	Jan. 30	10,289,000	10,564,000	9,952,000	10,535,000
Residual fuel oil output (bbls.)	Jon. 30	8,312,000	8,296,000	8,702,000	8,831,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Jan. 30	170,421,000	167,781,000	156,030,000	149,443,000
Kerosene (bbls.) at	Jan. 30	22,093,000	24,034,000	30,251,000	23,292,000
Distillate fuel oil (bbls.) at	Jan. 30	83,936,000	91,401,000	117,231,000	82,148,000
Residual fuel oil (bbls.) at	Jan. 30	46,433,000	47,247,000	49,810,000	46,356,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 30	628,190	617,226	477,805	697,442
Revenue freight received from connections (no. of cars)	Jan. 30	609,667	592,947	463,900	665,942
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 4	$194,300,000	$171,054,000	$225,873,000	$228,505,000
Private construction	Feb. 4	115,989,000	78,535,000	78,926,000	170,078,000
Public construction	Feb. 4	78,311,000	92,519,000	146,947,000	118,427,000
State and municipal	Feb. 4	63,029,000	63,389,000	135,292,000	97,476,000
Federal	Feb. 4	15,282,000	29,130,000	11,655,000	20,951,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 30	8,375,000	*8,410,000	6,790,000	8,875,000
Pennsylvania anthracite (tons)	an. 30	695,000	711,000	410,000	628,000
Beehive coke (tons)	Jan. 30	Not Avail.	Not Avail.	40,900	110,200
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 30	86	*86	81	87
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 7	8,674,000	8,855,000	8,825,000	8,129,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Feb. 4	238	233	202	159
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 2	4.634c	4.634c	4.634c	4.376c
Pig iron (per gross ton)	Feb. 2	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	Feb. 2	$27.33	$27.67	$29.67	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 3	29.650c	29.700c	29.675c	24.200c
Export refinery at	Feb. 3	29.375c	29.000c	29.075c	34.950c
Straits tin (New York) at	Feb. 3	85.000c	85.250c	24.500c	121.500c
Lead (New York) at	Feb. 3	13.000c	13.000c	13.500c	13.500c
Lead (St. Louis) at	Feb. 3	12.800c	12.800c	13.300c	13.300c
Zinc (East St. Louis) at	Feb. 3	9.500c	9.500c	10.000c	11.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 9	98.81	98.25	96.74	95.74
Average corporate	Feb. 9	108.70	107.98	106.56	108.52
Aaa	Feb. 9	114.27	113.12	111.62	112.00
Aa	Feb. 9	110.88	110.15	108.52	110.70
A	Feb. 9	108.34	107.80	106.21	107.80
Baa	Feb. 9	102.13	101.64	100.32	103.80
Railroad Group	Feb. 9	106.74	105.69	104.31	106.21
Public Utilities Group	Feb. 9	108.70	108.16	106.92	108.16
Industrials Group	Feb. 9	110.70	110.15	108.34	111.07
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 9	2.58	2.62	2.73	2.80
Average corporate	Feb. 9	3.23	3.28	3.36	3.25
Aaa	Feb. 9	2.94	3.00	3.08	3.06
Aa	Feb. 9	3.12	3.16	3.25	3.13
A	Feb. 9	3.26	3.29	3.38	3.29
Baa	Feb. 9	3.62	3.65	3.73	3.52
Railroad Group	Feb. 9	3.35	3.41	3.49	3.38
Public Utilities Group	Feb. 9	3.24	3.27	3.34	3.27
Industrials Group	Feb. 9	3.13	3.16	3.26	3.11
MOODY'S COMMODITY INDEX	Feb. 9	421.2	419.1	416.4	404.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 30	232,351	199,153	‡185,853	234,876
Production (tons)	Jan. 30	240,413	243,978	‡103,430	240,713
Percentage of activity	Jan. 30	92	94	‡43	94
Unfilled orders (tons) at end of period	Jan. 30	330,839	342,885	‡392,425	455,086
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Feb. 5	106.95	107.35	106.83	107.99
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. 23	31,753	26,112	19,289	29,455
Number of shares	Jan. 23	925,853	764,041	580,262	841,854
Dollar value	Jan. 23	$42,297,268	$34,789,631	$23,617,381	$37,867,235
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 23	29,332	25,098	22,880	25,829
Customers' short sales	Jan. 23	241	228	141	123
Customers' other sales	Jan. 23	29,091	24,870	22,739	25,706
Number of shares—Total sales	Jan. 23	828,804	708,567	701,514	710,123
Customers' short sales	Jan. 23	8,552	8,143	4,570	4,101
Customers' other sales	Jan. 23	820,252	700,424	696,944	706,022
Dollar value	Jan. 23	$35,578,856	$29,045,435	$25,251,188	$28,710,584
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 23	240,540	208,970	285,260	195,800
Short sales	Jan. 23	------	------	------	------
Other sales	Jan. 23	240,540	208,970	285,260	195,800
Round-lot purchases by dealers—					
Number of shares	Jan. 23	334,810	316,610	149,610	334,050
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. 16	326,320	321,180	231,280	288,990
Other sales	Jan. 16	7,624,580	6,923 770	8,095,420	8,586,020
Total sales	Jan. 16	7,950,900	7,244,950	8,326,700	8,875,010
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 16	836,380	708,790	791,560	812,820
Short sales	Jan. 16	147,840	150,240	127,930	161,470
Other sales	Jan. 16	678,130	808,430	633,540	709,010
Total sales	Jan. 16	825,970	958,670	761,470	870,480
Other transactions initiated on the floor—					
Total purchases	Jan. 16	232,930	201,770	212,380	215,610
Short sales	Jan. 16	10,200	13,200	7,900	20,900
Other sales	Jan. 16	207,500	262,730	151,790	185,550
Total sales	Jan. 16	217,700	275,930	159,690	206,450
Other transactions initiated off the floor—					
Total purchases	Jan. 16	375,896	299,245	314,430	267,947
Short sales	Jan. 16	49,020	32,000	22,670	44,020
Other sales	Jan. 16	326,276	378,694	228,750	346,110
Total sales	Jan. 16	375,296	410,694	251,420	390,130
Total round-lot transactions for account of members—					
Total purchases	Jan. 16	1,445,206	1,209,805	1,318,370	1,296,377
Short sales	Jan. 16	207,060	195,440	158,500	226,390
Other sales	Jan. 16	1,211,906	1,449,850	1,014,080	1,240,670
Total sales	Jan. 16	1,418,966	1,645,294	1,172,580	1,467,060
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Feb. 2	110.6	110.9	110.4	109.2
Farm products	Feb. 2	97.8	98.9	95.9	97.5
Processed foods	Feb. 2	105.1	*105.5	105.2	104.2
Meats	Feb. 2	93.1	94.9	91.4	93.4
All commodities other than farm and foods	Feb. 2	114.5	114.5	114.5	112.8

*Revised figure. ¶Includes 611,000 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. ‡Five days ending Dec. 31.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. U. S. DEPT. OF LABOR—Month of Nov. (000's omitted):			
All building construction	$663,933	$785,093	$643,717
New residential	321,637	*394,206	348,462
New nonresidential	256,497	*282,237	216,018
Additions, alterations, etc.	85,799	*108,650	79,237
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPT. OF COMMERCE — Month of December (000's omitted)	$1,700,000	$232,000	$1,736,100
COTTON GINNING (DEPT. OF COMMERCE)—			
As of Jan. 16	$16,140,397	------	$14,708,200
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of December:			
Cotton Seed—			
Received at mills (tons)	812,876	*1,397,014	538,701
Crushed (tons)	717,999	763,154	665,559
Stocks (tons) Dec. 31	2,874,885	*2,780,008	2,260,902
Crude Oil—			
Stocks (pounds) Dec. 31	144,017,000	143,804,000	178,154,000
Produced (pounds)	232,230,000	249,924,000	213,966,000
Shipped (pounds)	214,389,000	237,277,000	213,695,000
Refined Oil—			
Stocks (pounds) Dec. 31	1,080,422,000	1,016,037,000	544,572,000
Produced (pounds)	200,423,000	221,226,000	198,592,000
Consumption (pounds)	129,416,000	151,011,000	95,697,000
Cake and Meal—			
Stocks (tons) Dec. 31	109,700	163,022	155,303
Produced (tons)	340,919	361,549	317,680
Shipped (tons)	394,241	362,365	306,797
Hulls—			
Stocks (tons) Dec. 31	51,678	52,827	48,869
Produced (tons)	161,318	167,891	148,538
Shipped (tons)	162,467	166,859	151,823
Linters (running bales)—			
Stocks Dec. 31	190,376	194,068	277,154
Produced	221,348	239,802	210,667
Shipped	225,040	203,556	212,911
Hull Fiber (1,000-lb. bales)—			
Stocks Dec. 31	964	1,037	2,072
Produced	1,877	1,785	2,222
Shipped	2,010	1,908	1,868
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Dec. 31	7,777	7,226	10,988
Produced	3,088	3,479	4,325
Shipped	2,537	2,450	2,180
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of November:			
All manufacturing (production workers)	13,326,000	*13,635,000	13,634,000
Durable goods	7,767,000	*7,945,000	7,916,000
Nondurable goods	5,559,000	*5,690,000	5,718,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	107.7	*110.2	110.2
Payroll Indexes (1947-49 Average=100)—			
All manufacturing	145.7	*149.4	146.3
Estimated number of employees in manufacturing industries—			
All manufacturing	16,708,000	*17,017,000	16,874,000
Durable goods	9,700,000	*9,878,000	9,750,000
Nondurable goods	7,008,000	*7,139,000	7,124,000
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of Dec.:			
Seasonally adjusted	127	*129	133
Unadjusted	125	*130	131
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of Jan.:			
Industrial (125)	5.28	5.54	5.18
Railroad (25)	6.98	7.43	5.52
Utilities (not incl. Amer. Tel. & Tel.) (24)	5.11	5.28	5.03
Banks (15)	4.72	4.61	4.18
Insurance (10)	3.20	3.26	3.07
Average (200)	5.33	5.55	5.15
NEW YORK STOCK EXCHANGE—As of Dec. 30 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$1,693,755	$1,653,714	$1,365,659
Credit extended to customers	30,852	31,159	33,455
Cash on hand and in banks in U. S.	300,623	298,108	344,121
Total of customers' free credit balances	711,607	682,244	727,339
Market value of listed shares	117,257,208	117,477,562	120,536,170
Market value of listed bonds	99,827,875	96,506,418	100,255,735
Member borrowings on U. S. Govt. issues	235,067	156,181	204,848
Member borrowings on other collateral	1,224,213	1,200,890	1,001,774
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE — September, 1909-July, 1951 = 100 —As of November 15:			
Unadjusted—			
All farm products	249	250	277
Crops	234	231	257
Food grain	229	223	248
Feed grain and hay	188	187	213
Tobacco	433	439	412
Cotton	268	274	288
Fruit	219	214	195
Truck crops	186	175	238
Oil-bearing crops	263	255	300
Livestock and products	263	267	295
Meat animals	267	273	310
Dairy products	289	283	318
Poultry and eggs	225	236	238
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of Nov. (000's omitted):			
Savings and loan associations	$564,200	$653,417	$526,128
Insurance companies	113,998	123,233	115,594
Bank and trust companies	289,835	319,874	298,066
Mutual savings banks	113,180	122,674	103,538
Individuals	218,978	251,176	217,193
Miscellaneous lending institutions	248,454	270,467	231,871
Total	$1,548,645	$1,745,841	$1,492,390
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of Nov. (000's omitted):			
Exports	$1,240,800	$1,244,600	$1,191,000
Imports	839,000	812,938	804,618
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Jan. 31	$274,923,609	$275,243,758	$267,450,235
General fund balance	4,044,002	4,576,528	5,688,668
Net debt	$270,879,607	$270,667,230	$261,761,567
Computed annual rate	2.412%	2.414%	2.361%

Continued from page 9

Pros and Cons of Steel Equities

ment, the Materials Policy Commission anticipates a growth in business that would require a 50% increase by 1975 in steel ingot production from the 97 million tons produced in 1950. Thus while present capacity of 124 million ingot tons seems more than adequate for 1954 needs, normal retirements and a 10% margin for peak demand would require more capacity next year or in 1956, should demand expand 2-3% per year from the 95 million ingot tons that seems so popular as an estimate for 1954.

It is futile to attempt to determine the exact amount of growth in activity, but it is all important to assume at least a modest gradual increase. Certainly anyone who doubts this likelihood should dismiss the steel industry as an investment medium.

Assuming, then, a further growth in the demand for steel, the replacement cost becomes an important factor. Mr. Homer, President of Bethlehem Steel Co., estimated the cost of new integrated capacity at $250 per ingot ton, when speaking at your last convention. According to my understanding the new Fairless Works will exceed this figure without including iron ore or transportation investments. On the other hand additional capacity can doubtless be added for considerably less per ton than the initial capacity.

To convert the cost of an ingot ton into a ton of finished steel I will use a factor of 70% as the approximate yield of an ingot ton. On this basis the replacement cost of finished steel capacity would approximate $350 per ton. In contrast to this cost of new capacity the three largest units in the industry (U. S. Steel, Bethlehem, and Republic), constituting over half the total capacity, sell for around $40. (Since net working capital tends to exceed capitalization ahead of the common stock, I have merely divided 70% of the ingot capacity by the number of common shares outstanding.)

To justify building new capacity, a return of 10% would seem to be a minimum. This would indicate a profit of $35 per ton, or $70 per ton of finished steel before taxes. In other words the profit necessary to justify new plants would require earnings of nearly the total market price of present facilities.

The fact that new capacity does not now approach this earning power indicates to me the need for more aggressive price leadership, as Marvin Barloon so effectively pointed out in "The Question of Steel Capacity."[1] Perhaps through fear of customer reprisal in a recession or the danger of political abuse, the large units have followed a pricing policy which does not provide an adequate return on the investment and therefore tended to restrict capacity. Only the advent of excess profits taxes and emergency amortization made expansion appear feasible.

More recently such leaders as Messrs. Fairless, Homer, White, Weir, and others have publicly declared their confidence in the longer-term outlook for steel demand, and, in most cases, the inadequate return on new capacity. Under the circumstances future pricing should more adequately reflect the economics of replacement cost, thus providing the earnings to justify expansion.

How, you might ask, do recent earnings compare with the economically desirable earnings of $35 per ton just described?

Again, using the Big Three, pretax earnings plus depreciation and amortization for 1953 should approximate $33 per ton of finished steel. After normal depreciation of $3 per ton, pretax earnings before emergency amortization should approximate $30 per ton. After taxes (other than excess profits taxes) this would leave nearly $15 per ton. Emergency amortization of about $3 per ton should increase the cash flow by the amount of the tax saving or $1 to $2 (again excluding EPT). Thus the cash flow based on 1953 results but excluding EPT would approximate $19-$20 per ton.

Profits and Rate of Production

The current level of earning power appears to contain several important cushions. Mr. Homer, in the same speech referred to earlier, stated that "at an operating rate of down to 85 or 90% of capacity we would do about as well profit - wise as we are doing now." I interpret this statement to mean that profits per ton would actually increase due to the withdrawal of marginal capacity, reduced overtime, and greater efficency of manpower.

Mr. White, President of Republic Steel, has stated that overtime alone has recently been running the equivalent of $2 per ton; that Republic has a LIFO cushion of $6-7 per ton of capacity and that in Republic's case fabricating subsidiaries could use substantially more of the company's capacity than the 18% now being allocated.

Maintenance and repairs over $15 per ton of capacity might well drop $5 per ton, and of course scrap prices have declined nearly $10 per finished ton of steel since prices were raised last July.

Naturally all these items should not be added together. Doubtless Mr. Homer's general statement was based on an appraisal of some of the specific factors alluded to by Mr. White and others. Also, while the Big Three probably sold very little steel at premium prices, it is likely that they are absorbing some freight and an occasional extra and fabricating profits may well decline as steel becomes plentiful. Nevertheless, there is every indication that a moderate decline in demand for steel from last year's peak would not severely reduce earnings of the Big Three.

Assuming steel ingot production of 95 million tons in 1954, or 15% below 1953, would indicate a level of business of 190-200 on the old FRB. This is, of course, a 20% drop from the peak in both steel and industrial production. This is a larger decline than generally anticipated and would mean a steel operating rate of about 80% based on 1953 capacity and 75-80% using the new figure. Under such conditions, what level of earnings may be reported?

Using the Big Three and making these assumptions there is much reason to assume pre-tax earnings before depreciation and emergency amortization will remain at $33 per finished ton. Depreciation may rise to $5 per ton instead of $3, leaving pre-tax earnings of $28 per finished ton. On this basis normal earnings (excluding emergency amortization) might approximate $13-14 per finished ton and cash flow would be $20-21 per finished ton (one-half the $5 emergency amortization plus depreciation and net income).

With capacity of the Big Three selling at $40 per net ton, a price of $50 would be indicated for operations at 80% (all figures based on Jan. 1, 1953). Compared to earnings of $13-14 per finished ton and a cash flow of $20, it is obvious that the investor places little confidence in any such level of earnings. In contrast to this price-earnings ratio of about four times under "recessionary" conditions, the D. J. Industrials, excluding steels, probably sells at 10 times earnings. Even though the dividend of close to $5 per ton is so well covered and provides a yield of nearly 10%, investors have shown remarkable resistance.

Investor Fears

With this background what about the investor fears mentioned at the start?

Cyclical vulnerability is probably the greatest concern. Anyone who has seen the industry operate at 20% of capacity doesn't relish the thought of watching such a decline again.

The answer here seems obvious, at least in part. Anyone who contemplates steel operations below 50% for several months certainly should not buy steel stocks since this would imply Federal Reserve Board of 125 or less on the old index. Equally obvious is the attractiveness of steel stocks based on a projected earnings with 20% decline from the peak business level. To what degree present prices discount an FRB below the 190-200 level I cannot tell. Psychologically, the rate is already down to the level anticipated for the year.

The danger of price cutting is in much the same category. Prices have not been cut from posted levels despite a decline to less than 40% of capacity in the case of electric furnace steel and 75% on carbon steel, even though it would seem reasonable to pass along lower raw material costs, since this would not lower profits per ton at least in the initial stages. Actually, price cutting in steel was characteristic only in the '30's when pessimism was rife. Prudent management is unlikely to indulge in price cutting where a few units are responsible for most of the capacity, the future holds promise of expanding volume, and profits are not adequate to encourage new producers. The recent use of stock options where ownership was previously small may also restrain price cutting. No positive answer on price cutting is possible. However, to me these reasons are sufficiently compelling, when related to the risks involved.

An inadequate return on investment has been characteristic of the steel industry at least since 1929. Moreover, it is difficult to envision the steel industry showing a return like the major chemical or motor companies, since the industry does not depend on special new products or changes in style or performance. By the same token, sudden obsolescence is also less likely. However, because replacement cost is nearly nine times current market prices there is a basis for very handsome earnings before reaching a large return on new facilities. Economically, this would seem to be merely the normal effect of inflation quite similar to the sharp increase in paper company earnings as new capacity was added at greatly increased costs.

While the emphasis has been on the Big Three to facilitate this presentation, there are several other uits worthy of consideration. However, care should be taken to make certain that earnings projections make due allowance for competitive prices, location relative to markets, efficiency of facilities, and cost of raw materials. Some of the smaller units are likely to find a competitive market extremely difficult. Others, such as Pittsburgh Steel, should show improved results due to basic changes.

To conclude I would recommend study of the steel industry as an investment medium promising a high rate of return and substantial appreciation to those who feel the United States will experience further growth over a period and is not likely to face a sustained cyclical decline below 190 on the Federal Reserve Board Index.

[1] Harvard "Business Review," March, 1949.

H. L. Sewards Opens

CORAL GABLES, Fla.—Hugh L. Sewards is conducting a securities business from offices at 4627 University Drive.

E. B. Wilcox Opens

DENVER, Colo. — Edward B. Wilcox is conducting a securities business from offices at 636 Vine Street.

Bernhard Elmers Opens

Bernhard Elmers is engaging in a securities business from offices at 200 Pleasant Plains Avenue, Staten Island, New York.

W. A. Kyner Opens

COLORADO SPRINGS, Colo.—William A. Kyner has opened offices at 126 South Tejon to engage in a securities business.

Joins Scranton Staff

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—Stephen C. Shanley is now with Chas. W. Scranton & Co., 209 Church St., members of the New York Stock Exchange.

With Edw. M. Bradley

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn. — Earl J. Davies has been added to the staff of Edward M. Bradley & Co., Inc., 215 Church Street, members of the Boston Stock Exchange.

N. S. Brody Opens

Nathan S. Brody is engaging in a securities business from offices at 50 Broadway, New York City.

With Smith, Ramsay Co.

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn. — Lawrence F. Hine is with Smith, Ramsay & Co., Inc., 207 State St.

M. H. Seaver Opens

ORINDA, Calif.—Mark H. Seaver is engaging in a securities business from offices at 12 Mariposa Lane.

With Geo. C. Lane Co.

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—John S. Michna is now connected with George C. Lane & Co., Inc., 70 College Street.

With Estabrook & Co.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — James McL. Timmis is now with Estabrook & Co., 750 Main Street.

With Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

AURORA, Colo.—Cecil L. Pasder has become affiliated with Renyx, Field & Company, 1575 Elmira Street.

E. I. Shelley Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Oscar Pepper has been added to the staff of E. I. Shelley Company, E. & C. Building.

Continued from page 5

Observations . . .

factor. How, in the light of past trade figures, the Kremlin can pay for imports to the tune of the astronomical figures held forth, is impossible to see.

A significant sequel to Soviet insincerity has just come to hand substantiating a personal experience this writer had with their sabotaging of favorable fruits from their trade propaganda. At the meeting of the International Chamber of Commerce in Vienna last May, I met Robert Chambeiron, whom I had known when he was functioning as Secretary-General of the Economic Conference in Moscow the year before. Greeting me heartily, this Communist-serving Frenchman assured me he was anxious to discuss the "real realities" of the East-West trade situation. Would I call on him at the Hotel Storchen in Zurich the following week? This I did, only to discover that the hotel had never heard of the gentleman.

And now, coming to hand by mail is a pamphlet from the so-called Committee for the Promotion of International Trade, with the sender marked on the envelope with rubber stamped *permanent* address and name as "Robert Chambeiron, Prinz Eugen 2, *Vienna* (not Zurich or any other Swiss locale).

People Are Not Foreign Exchange

And how Red China can possibly pay for the West's goods on a grand scale, it is difficult to understand. Mere citation of enormous population statistics (*a la* Molotov as above) does not constitute good pay for large-scale imports. During the first eight months of 1953 Britain's exports to Red China totaled only $12¾ million, and her imports $15 million. The vaunted boasts of big prospective trade after the visit of the British delegation under the aegis of the Council for the Promotion of International Trade, was soon deflated down to orders of a mere $8 million. And little encouragement is to be derived from China's sizable current default on her IOU's to German businessmen.

Basic Trade Sabotage

Of course, one continuing factor destructive to possibilities of trading with the West beyond the talk stage is the long-term structure of Soviet-Satellite trade, which is geared in the greatest detail to make the whole of Eastern Europe an autarchical and self-supporting Iron Curtain economic area, with the ruble as the unit of value.

Thus, over recent years the satellites' trade with countries even outside the purview of the Battle Act has steadily and markedly declined. Switzerland's trading with Czechoslovakia comprised only 0.9% in 1952, (against 3.6% in 1938), and with the aggregate of the satellite countries only 4%, against 33% in 1938.

Finland exemplifies a country that has been sabotaged by Soviet pressure for more trade. As we reported from Yugoslavia, here, too, Moscow pays low prices, while forcing unnecessary goods in payment. The dependent defenseless Finns have had to take hundreds of thousands of tons of Russian wheat at prices 50% higher than they could export it for.

* * * * *

This is merely by way of a little additional substantiation depicting the mirage character of the ever-renewed Russian line, so ably and dangerously dovetailed into their political strategy practiced by Molotov, Gromyko, and Malik. The realistic question still is not "Should we trade?" but "Can we trade?"—with the answer in the negative.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Aegis Casualty Insurance Co., Denver, Colo.
Feb. 1 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For working capital. **Office**—621 Kittredge Building, Denver, Colo. **Underwriter**—None.

Aircasters, Inc.
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 Business Shares, Inc., New York
Feb. 5 filed 200,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

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.

★ Associated Fund, Inc., St. Louis, Mo.
Feb. 8 filed beneficial interests ("parts" or "shares") in Associated Fund Trust (15,000 full paid certificates and 55,000 accumulative certificates).

● Atlantic City Electric Co. (2/19)
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**—Union Securiteis 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.

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.

● 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. **Price**—$19.50 per share. **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.

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 Interstate Telephone Co. (2/25)
Feb. 5 filed 300,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—From sale of stock, together with net proceeds to be received from private sale of $4,200,000 first mortgage bonds and $1,500,000 4¾% debentures, to be used primarily to purchase from California Electric Power Co. all of the capital stock of Interstate Telegraph Co. **Office**—San Bernardino, Calif. **Underwriter** — William R. Staats & Co., Los Angeles, Calif.

★ California Oregon Power Co. (3/2)
Feb. 10 filed 300,000 shares of common stock (par $20). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Blyth & Co., Inc., New York and San Francisco; and the First Boston Corp., New York.

★ California Oregon Power Co. (3/9)
Feb. 10 filed $10,000,000 first mortgage bonds due March 1, 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White & Co.; Blyth & Co., Inc.; The First Boston Corp. and Salomon Bros. & Hutzler (jointly); Shields & Co., Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly). **Bids** — To be opened on March 9.

● Carling Brewing Co., Inc., Cleveland, Ohio
Jan. 18 (letter of notification) 3,750.4 shares of capital stock (par $15) being offered to minority stockholders of record Feb. 1 on a share-for-share basis; rights to expire on Feb. 26. **Price** — $40 per share. **Proceeds**—To retire current indebtedness. **Office**—9400 Quincy Ave., Cleveland, Ohio. **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 Cooperative Association, Kansas City, Mo.
Feb. 4 filed 80,000 shares of 4% second preferred stock (par $25) and 10,000 shares of 2% third preferred stock (par $25) to be offered for sale directly to members and others. **Price**—To be supplied by amendment. **Proceeds**—For construction of an agricultural nitrogen fixation plant, to redeem certificates of indebtedness and to finance inventories and accounts receivable. **Underwriter**—None.

★ Corporate Leaders of America, Inc., N. Y.
Feb. 8 filed 768,976.5 participations in trust fund certificates series B (periodic payment certificates) and 39,741.3 participations in trust fund certificates series B (single payment certificates).

NEW ISSUE CALENDAR

February 15 (Monday)
Gulf Sulphur Corp. — Preferred
(Peter Morgan & Co.) $7,000,000

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 11 a.m. EST) $5,000,000
South Carolina Electric & Gas Co. — Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co.) 286,436 shares

February 18 (Thursday)
Illinois Central RR. — Equip. Trust Ctfs.
(Bids noon CST) $6,000,000

February 19 (Friday)
Atlantic City Electric Co. — Common
(Union Securities Corp. and Smith, Barney & Co.) 151,672 shares
Plastic Wire & Cable Corp. — Common
(Offering to stockholders—no underwriting) $230,496

February 24 (Wednesday)
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)
California Interstate Telephone Co. — Common
(William R. Staats & Co.) 300,000 shares
El Paso Electric Co. — Common
(Offering to stockholders—Stone & Webster Securities Corp. to be dealer-manager) 76,399 shares
Pittsburgh & West Virginia Ry. — Bonds
(Bids to be invited) $7,500,000

February 26 (Friday)
First Nat'l Bank of Portland (Ore.) — Common
(Merrill Lynch, Pierce, Fenner & Beane and The First Boston Corp.) $16,000,000

March 1 (Monday)
Houston Lighting & Power Co. — Bonds
(Bids noon EST) $30,000,000
Penn-Dixie Cement Corp. — Common
(Offering to stockholders—underwritten by Merrill Lynch, Pierce, Fenner & Beane) 120,427 shares
Southern Natural Gas Co. — Bonds
(Bids 11 a.m. EST) $20,000,000

March 2 (Tuesday)
California Oregon Power Co. — Common
(Blyth & Co., Inc. and The First Boston Corp.) 300,000 shares
Southern California Edison Co. — Common
(The First Boston Corp. and Dean Witter & Co.) 600,000 shares

March 3 (Wednesday)
Suburban Electric Co. — Bonds
(Bids 11 a.m. EST) $4,000,000

March 9 (Tuesday)
California Oregon Power Co. — Bonds
(Bids to be invited) $10,000,000

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
El Paso Electric Co. — Bonds & Preferred
(Bids to be invited) $6,500,000
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 25 (Thursday)
Southern Indiana Gas & Electric Co. — Common
(Smith, Barney & Co.) 114,166 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 11 a.m. EST) $11,000,000

(April 13 (Tuesday)
Southern Indiana Gas & Electric Co. — Bonds
(Bids to be invited) $8,000,000

April 14 (Wednesday)
Ohio Power Co. — Bonds
(Bids 11 a.m. EST) $20,000,000
Ohio Power Co. — Preferred
(Bids 11 a.m. (EST) $5,000,000

April 20 (Tuesday)
West Penn Power Co. — Bonds
(Bids to be invited) $12,000,000

April 27 (Tuesday)
Arkansas Power & Light Co. — Preferred
(Bids to be invited) $7,000,000

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

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.

★ **Eagle-Picher Co., Cincinnati, Ohio**
Feb. 5 (letter of notification) 900 shares of common stock (par $10). **Price** — At market (estimated at $19.87½ per share). **Proceeds** — For general corporate purposes. **Office** — The American Bldg., Cincinnati, Ohio. **Underwriter**—None.

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.

★ **El Paso Electric Co. (2/25)**
Feb. 4 filed 76,399 shares of common stock (no par) to be offered for subscription by common stockholders of record Feb. 23 on the basis of one new share for each 10 shares held. Rights will expire on March 11. **Price**—To be supplied by amendment. **Proceeds** — From sale of common stock, together with proceeds from subsequent sale at competitive bidding of 15,000 shares of preferred stock (no par) and $5,000,000 of first mortgage bonds due 1984, to be used to repay bank loans and for new construction. **Dealer Manager**—Stone & Webster Securities Corp., New York.

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 11 a.m. (EST) on or about Feb. 17, 1954 at 441 Stuart St., Boston 16, Mass.

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.

★ **Farmers & Traders Life Insurance Co., Syracuse, N. Y.**
Feb. 4 the voting trustees filed voting trust certificates for 3,000 shares of common stock.

★ **Gamma Corp., Wilmington, Del.**
Feb. 2 (letter of notification) 140,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For inventory, capital expenditures and working capital. **Office**—100 West 10th Street, Wilmington, Del. **Underwriter**—Sheehan & Co., Boston, Mass.

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.

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.

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.

★ **Group Securities, Inc., Jersey City, N. J.**
Feb. 4 filed 2,000,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

● **Gulf Sulphur Corp. (2/15)**
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.

★ **Houston Lighting & Power Co. (3/1)**
Feb. 4 filed $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 up to noon (EST) on March 1.

★ **Inland Fisheries, Inc., Truth or Consequences, New Mexico**
Feb. 1 (letter of notification) 200,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — To build, develop and operated guest ranch. **Underwriter**—Irwin K. Vandam, 7 Bellevue Avenue, Winchester, Mass.

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.

★ **Lucky Custer Mining Corp., Boise, Ida.**
Feb. 1 (letter of notification) 25,000 shares of non-assessable common stock. **Price** — At par $1 per share). **Proceeds** — To retire debt and for working capital. **Underwriters**—Ernest Leroy Revis, Caldwell, Ida., and Guy Hammond Herbert, Boise, Ida.

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.

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., Houston, Texas.

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.**
Jan. 14 filed 527,865 shares of common stock (no par) to be offered for subscription by common stockholders 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. **Offering**—Temporarily delayed.

★ **Monterey Oil Co., Los Angeles, Calif.**
Feb. 2 filed 257,338 shares of common stock (par $1). **Price**—At the market price then prevailing on the New York Stock Exchange, or through special offerings or secondary distributions. **Proceeds**—To Lehman Borthers (400 shares); partners of Lehman Brothers and members of their immediate families (150,458); and The Lehman Corp. (106,480). **Underwriter**—None. No general offer planned.

★ **Nevada Perlite Co., Inc., Fallon, Nev.**
Feb. 1 (letter of notification) 1,470 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—To build roads and plant and for equipment and working capital. **Office**—10 W. Williams Street, Fallon, Nev. **Underwriter**—None.

New Bristol Oils, Ltd., Toronto, Ont., Canada
Dec. 18 filed 1,000,000 shares of common stock (par $1). **Price**—To be related to the bid price of the shares on the Toronto Stock Exchange, with a 20% underwriting commission. **Proceeds**—For general corporate purposes. **Underwriter**—To be named by amendment.

New England Gas & Electric Association
Dec. 10 filed 32,126 common shares of beneficial interest (par $8) being offered in exchange for common stock of New Bedford Gas & Edison Light Co. held by minority stockholders on the basis of 4¾ New England shares for each New Bedford share held. The offer will expire on Feb. 23. **Financial Advisor**—The First Boston Corp., New York.

★ **North Shore Music Theater, Inc., Boston, Mass.**
Feb. 3 (letter of notification) $80,000 of 5% notes due Feb. 1, 1974, and 2,000 shares of common stock (par $10) to be sold in units of $400 principal amount of notes and 10 shares of stock. **Price**—$500 per unit. **Proceeds**—For actors' equity bond, royalties, land, construction of theater and related expenses. **Office**—60 State St., Boston, Mass. **Underwriter**—H. C. Wainwright & Co., Boston, Mass.

● **Nuclear Research Co. (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 in 30 to 60 days.

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.

★ **Penn-Dixie Cement Corp., New York (3/1)**
Feb. 4 filed 120,427 shares of capital stock (par $7) to be offered for subscription by stockholders of record Feb. 26 on the basis of one new share for each five shares held; rights to expire on March 15. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for expansion program. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

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.

★ **Plastic Wire & Cable Corp., Jewett City, Conn. (2/19)**
Feb. 4 (letter of notification) 21,952 shares of common stock (par $5) to be offered for subscription by common stockholders on the basis of one new share for each five shares held on Feb. 2. Offering expected to be made on Feb. 19 for a period of approximately three weeks. **Price**—$10.50 per share. **Proceeds**—For working capital. **Underwriter** — None, but Putnam & Co., Hartford, Conn., will manage a group to assist in obtaining subscriptions.

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.

★ **St. Regis Paper Co., New York**
Feb. 3 filed 93,000 shares of common stock (par $5) to be offered in exchange for 30,000 shares of common stock of Superior Paper Products Co. on the basis of 3.1 shares of St. Regis stock for each Superior share. **Underwriter**—None.

★ **Securities Acceptance Corp., Omaha, Neb.**
Feb. 1 (letter of notification) 4,000 shares of 5% cumulative preferred stock (par $25). **Price**—$25.50 per share. **Proceeds**—For working capital. **Underwriters**—Cruttenden & Co., Chicago, Ill.; Wachob-Bender Corp., Omaha, Neb., and The First Trust Co. of Lincoln (Neb.).

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 10 shares held (with an oversubscription privilege); rights to expire on March 3. **Price** — To be supplied by amendment. **Proceeds**—For new construction, etc. **Underwriter** — Kidder, Peabody & Co., New York City.

★ **Southern California Edison Co. (3/2)**
Feb. 8 filed 600,000 shares of common stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—To

Continued on page 44

Continued from page 43

retire bank loans and for construction program. **Underwriters**—The First Boston Corp., New York, and Dean Witter & Co., San Francisco, Calif.

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.**
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. **Offering**—Expected today (Feb. 11).

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.

★ **Textron Incorporated, Providence, R. I.**
Feb. 8 filed 195,668.4 shares of 4% preferred stock, series B (par $100) and 489,171 shares of common stock (par 50 cents) to be offered to holders of the 978,342 shares of common stock of American Woolen Co. on the basis of one-fifth of a share of preferred and one-half share of common stock for each American Woolen common share. The offer will expire March 22, unless extended. **Underwriter**—None.

★ **Unique Products, Inc., Reno, Nev.**
Feb. 1 (letter of notification) 500 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For equipment, advertising and general expenses. **Office**—400 Ryland Building, Reno, Nev. **Underwriter**—None.

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.

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 & 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)**
Jan. 19 it was announced company plans 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**—Scheduled for Feb. 17. **Bids**—Scheduled 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.

★ **Arkansas Power & Light Co. (4/27)**
Feb. 8 it was reported company plans to issue and sell 70,000 shares of cumulative preferred stock (par $100). **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; The First Boston Corp. and W. C. Langley & Co. (jointly); Lehman Brothers, Equitable Securities Corp. and White, Weld & Co. (jointly). Bids—Expected April 27.

★ **Arkansas Power & Light Co.**
Feb. 8 it was reported company plans to sell, probably in August, an issue of about $7,500,000 first mortgage bonds due 1984. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers, Stone & Webster Securities Corp. and White, Weld & Co. (jointly); Blyth & Co., Inc., Equitable Securities Corp. and Central Republic Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly).

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.

★ **Carrier Corp.**
Feb. 4 it was announced stockholders on Feb. 23 will vote on increasing authorized common stock (par $10) from 1,600,000 shares to 5,000,000 shares and the authorized preferred stock (par $50) from 181,855 shares to 800,000 shares to provide for further possible financing. **Proceeds** — For expansion, etc. **Underwriters** — Harriman Ripley & Co. Inc. and Hemphill & Noyes & Co.

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.

Chrysler Corp.
Dec. 23 it was reported that corporation is a prospect for a very substantial emission of debt capital.

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.

Connecticut Light & Power Co.
Dec. 7 it was reported company plans to raise between $10,000,000 and $20,000,000 in 1954 from sale of bonds and stock. **Underwriters**—For common stock: Putnam & Co.; Chas. W. Scranton & Co., and Estabrook & Co. Bonds may be placed privately.

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.

Continental Oil Co.
Dec. 23 it was reported that this company is expected to be in the market for new capital.

Delaware Power & Light Co.
Oct. 5 it was announced company plans to issue and sell in 1954 about $10,000,000 of first mortgage and collateral trust bonds. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); White, Weld & Co. and Shields & Co. (jointly); Union Securities Corp.; Lehman Brothers; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); W. C. Langley & Co.

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.)

★ **El Paso Electric Co. (3/16)**
Feb. 4 it was announced company plans to issue and sell 15,000 shares of preferred stock (no par) and $5,000,000 first mortgage bonds due 1984. **Proceeds** — To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For both issues, Kidder, Peabody & Co., White, Weld & Co. and Shields & Co. (jointly); Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; (2) For bonds only, Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Salomon Bros. & Hutzler. **Bids**—Expected on March 16.

★ **Federal Loan Co. of Pittsfield, Inc.**
Jan. 28 it was announced stockholders will vote Feb. 23 on increasing the authorized class A common stock from 250,400 shares to 550,400 shares and the authorized convertible preferred stock from 100,000 shares to 250,000 shares and on changing name of corporation to Signature Loan Co., Inc. It is proposed to offer to the holders of the 29,458 shares of outstanding $1.20 cumulative participating preferred stock one share of new 77-cent cumulative convertible preferred stock and one share of class A common stock for each participating preferred share held. **Price**—To stockholders, $15 per unit; and to public $15.50 per unit. **Underwriters**—Simon, Strauss & Himme, William N. Pope, Inc., and Chace, Whiteside, West & Winslow, Inc.

Fidelity Trust of America, Dallas, Tex.
Dec. 22 it was announced that the 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. (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 Portland (Ore.) (2/26)**
Feb. 3 it was announced stockholders will vote Feb. 23 on a proposal to issue and sell to stockholders of record Feb. 26 a total of 400,000 additional shares of capital stock on the basis of one new share for each three shares held. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Underwriters** — Merrill Lynch, Pierce, Fenner & Beane and The First Boston Corp.

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 10. **Bids**—Expected to be received up to 11 a.m. (EST) on April 6.

Idaho Power Co.
Aug. 6, officials of Blyth & Co., Inc. and Bankers Trust Co., New York, testified before the Federal Power Commission that this company plans to raise $184,550,000 to finance construction of three hydro-electric projects on Snake River, Idaho. If approved, the financing will consist of $105,000,000 of bonds through 1962; $27,400,000 of preferred stock; and $52,150,000 of common stock. Throughout the financing period, the company would borrow and repay $29,000,000 of short-term loans. Final financing details would depend on market conditions.

★ Illinois Central RR. (2/18)
Bids will be received by the company up to noon (CST) on Feb. 18 for the purchase from it of $6,000,000 equipment trust certificates to be dated March 1, 1954 and to mature semi-annually from Sept. 1, 1954 to March 1, 1969, inclusive. Probable bidders: Halsey Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

★ Indiana & Michigan Electric Co.
Jan. 27 it was announced company plans to sell an issue of first mortgage bonds due 1984 about November. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp., Goldman, Sachs & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.

Industrial Trust Co. of Philadelphia
Jan. 13 it was announced company plans to issue and sell 11,223 additional shares of capital stock (par $5) to be offered for subscription by stockholders on the basis of one new share for each 20 shares held. **Price**—$7.50 per share. **Proceeds**—To increase capital and surplus.

Inter-Mountain Telephone Co.
Dec. 23 it was reported company in April, 1954, may offer to its common stockholders some additional common stock. **Underwriter**—Courts & Co., Atlanta, Ga.

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. **Underwriters**—For debentures, may be Lehman Brothers and Merrill Lynch, Pierce, Fenner & Beane. For bonds, if competitive, bidders may include Halsey, Stuart & Co. Inc.; Lehman Brothers and Goldman, Sachs & Co. (jointly); The First Boston Corp.

Louisville & Nashville RR.
Nov. 12 it was reported that the company may issue and sell an issue of bonds late in 1954. **Proceeds**—To retire $24,610,000 Atlanta, Knoxville & Cincinnati Division 4% bonds due May 1, 1955, and for general corporate purposes. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Salomon Bros. & Hutzler (jointly).

Maier Brewing Co., Los Angeles, Calif.
April 18 it was announced company will offer 400,000 additional shares of common stock to its stockholders at rate of four new shares for each share held. **Price**—$5 per share. **Prcoeeds** — To help finance a new bottling plant. **Underwriter**—None.

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.

New Jersey Power & Light Co.
Dec. 16 it was reported this company tentatively plans issue and sale in 1954 of about $3,000,000 first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Equitable Securities Corp.; Union Securities Corp. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

★ New Orleans Public Service Inc.
Feb. 8 it was reported company plans to offer for sale $6,000,000 of first mortgage bonds due 1984 late this year. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly); Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co.

North Shore Gas Co. (Mass.)
Dec. 14 it was announced that it has been decided to defer a bond issue by this company for at least several months. It had been reported that the issuance and sale of about $3,000,000 of first mortgage bonds had been planned. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly).

★ Northern States Power Co. (Minn.)
Feb. 8 it was reported company is planning the issuance and sale of approximately $20,000,000 of first mortgage bonds due 1984 some time this year. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Riter & Co. (jointly); Smith, Barney & Co.; Glore, Forgan & Co.; Merrill Lynch. Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); Kuhn, Loeb & Co., A. C. Allyn & Co. Inc. and Wertheim & Co. (jointly).

★ Northern States Power Co. (Minn.)
Feb. 8 it was reported company plans to issue and sell 150,000 shares of cumulative preferred stock (no par) and 1,219,864 shares of common stock (par $5), the latter to be first offered for subscription by common stockholders on a 1-for-10 basis (with an oversubscription privilege). **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) For preferred stock—Lehman Brothers and Riter & Co. (jointly); Smith, Barney & Co. (2) For common stock—Lehman Brothers and Riter & Co. (jointly); The First Boston Corp., Kuhn, Loeb & Co. and Blyth & Co., Inc. (jointly); Smith, Barney & Co.; White, Weld & Co. and Glore, Forgan & Co. (jointly). **Bids**—Tentatively expected to be received in April.

★ Ohio Power Co. (4/14)
Jan. 27 it was announced company plans to issue and sell an issue of $20,000,000 first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Kuhn, Loeb & Co., A. C. Allyn & Co., Inc. and Coffin & Burr, Inc. (jointly); Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on April 14.

★ Ohio Power Co. (4/14)
Feb. 8 it was announced company plans to issue and sell 50,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Kuhn, Loeb & Co., A. C. Allyn & Co. Inc. and Coffin & Burr, Inc. (jointly); Blyth & Co., Inc.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Harriman Ripley & Co., Inc. and Stone & Webster Securities Corp. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on April 14.

Pacific Telephone & Telegraph Co.
July 2, 1953 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.

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.

Riddle Airlines, Inc.
Jan. 7 it was reported company plans to file a letter of notification soon to issue an aggregate value of up to $300,000 of new securities. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

★ Safeway Stores, Inc.
Feb. 8 it was reported that company plans later this year to issue and sell new securities. **Proceeds**—To repay bank loans and to redeem convertible preferred stock. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

Continued on page 46

Continued from page 45

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 Indiana Gas & Electric Co. (3/25)**
Jan. 27 it was announced company plans to offer to its common stockholders 114,166 additional shares of common stock on a basis of one new share for each seven shares held about March 24; with rights to expire about April 9. **Proceeds**—For construction costs. **Underwriter**—Smith, Barney & Co., New York. **Registration**—Expected March 5.

● **Southern Indiana Gas & Electric Co. (4/13)**
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 March 5. **Bids**—Tentatively expected on April 13.

★ **Southwestern Development Co.**
Jan. 18 it was announced that Sinclair Oil Corp. will receive 769,722 shares of Pioneer Natural Gas Co. stock under plan of distribution of Southwestern's assets to be voted upon Feb. 15. **Underwriter**—Union Securities Corp., New York, underwrote sale of Sinclair's holdings in Colorado Interstate Gas Co.

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., Inc.; Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Harriman Ripley & Co. Inc.; The First Boston Corp.

Spokane International RR. Co.
Dec. 29, F. C. Rummel, President, announced company is filing an application with the ICC for permission to offer 28,484 additional shares of capital stock (no par) to its stockholders of record Dec. 31, 1953, on the basis of one new share for each six shares owned. **Price**—$15 per share. **Proceeds**—For improvement and modernization program.

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.

Our Reporter's Report

With the Treasury borrowing this week on short-term paper at the lowest rate in seven years—an average of 0.893% for ninety-day bills—a corporate borrower was able to float an issue on the lowest yield basis in some three years, or since 1951.

Dearth of new emissions in volume, plus the general easing in demand for banking accommodation, appears once more to have brought about the condition of a "seller's" market. And it has all come about in the brief space of some eight months or since early last summer when corporate underwritings were being done as high as a 3.75% yield.

With the Federal Reserve Banks recently having more or less confirmed the renewed easing in underlying money rates by the mark-down in their rediscount charges from 2% to 1¾%, the general assumption now seems to be that relative abundance of funds is destined to rule for a considerable spell.

Underwriters and corporate borrowers, accordingly, appear to be charting their courses with this conviction in mind and there is growing talk of the possibility of refunding some of the higher coupon offerings of several months ago.

However, it is likely that a bit more time must pass before the market will face this sort of test of its new position. Meantime there is nothing to suggest any early quickening of demand for new corporate money outside the public utility field where expansion appears to be still the order of the day.

Two Mills Per $100

The winning syndicate and the runners-up in bidding for Louisville Gas & Electric Co.'s $12,000,000 of 30-year first mortgage bonds put on what was really a "photo-finish."

The successful group paid the company a price of 102.102 for a 3⅛% coupon rate. The second highest bid was 102.10 which figured out to a difference of only two mills per $100 or two cents per $1,000. You just can't make it much closer than that.

And just to cinch the conclusion that bankers were thinking in almost identical terms, as far as reoffering prices were concerned, the third group's bid was 102.051. The bonds were priced for reoffering at 102.461 for an indicated yield of 3%.

Real Test Ahead

Through recent weeks the general run of new corporate offerings, in addition to being sparse, has been pretty much of so-called "Street-size" that is of dimensions which permitted the larger houses to go after them pretty much on their own.

The real test, as most people see it, will come next Tuesday when Pacific Gas & Electric Co., is slated to open bids for $60,000,000 of 30-year first and refunding bonds. Three large banking groups have indicated their intention to bid for this business.

The company will use the proceeds to finance new construction contemplated for the balance of the year.

Competition Is Keen

The limited volume of new business available has really sharpened the competitive appetite of the banking fraternity. No more proof of this was necessary than appeared early this week when Public Service Co., of Oklahoma put $12,500,000 bonds on the market.

A total of nine groups submitted bids for this issue ranging all the way from 98.359 for a 3% coupon by the top bidder, out to 97.36 for the ninth entry.

This issue got away a trifle slowly but when the Louisville Gas & Electric's 3⅛s appeared "out-the-window" on a 3% yield basis, the Oklahoma's which carried a 3.05% return, were snapped up quickly.

R. J. Boyd Opens

CULPEPER, Va.—Robert J. Boyd is conducting a securities business from offices at 14 Main Street.

With Gillespie & Wouters

(Special to THE FINANCIAL CHRONICLE)

GREEN BAY, Wis.—Mrs. Flora K. Pflug has become associated with Gillespie & Wouters, Northern Building. Mrs. Pflug was formerly in the trading department of the Milwaukee Company.

C. P. Hoffman

C. P. Hoffman, limited partner in Walston & Co., passed away Jan. 29.

Business Man's Bookshelf

Black Market Yearbook: 1954—Franz Pick—Pick's World Currency Report, 75 West Street, New York 6, N. Y., $25.

Construction Financing for the Home Builder—Neal MacGiehan — Housing and Home Finance Agency, Washington 25, D. C.—Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (paper) 70 cents.

Dividends for More Than a Decade (by industrial classification on common stocks traded on the American Stock Exchange)—American Stock Exchange, 86 Trinity Place, New York 6, N. Y. (paper).

Economic Development with Stability—A report to the Government of India by a mission of the International Monetary Fund—Secretary, International Monetary Fund, 1818 H Street, N. W., Washington 25, D. C. (paper) 50 cents.

Financing the Construction of Prefabricated Houses—Housing and Home Finance Agency—Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (paper) 40 cents.

Threat of Soviet Imperialism — Edited by C. Grove Haines—The Johns Hopkins Press, Baltimore 18, Md. (cloth) $5.

Trendex Long Term Industry Guides (A Supplement to the Investment Managers' Trendex) January, 1954 Edition—E. S. C. Coppock, Maverick Building, San Antonio, Tex. (paper) $10.

World's Food, The: A Study of the Interrelations of World Population, National Diets and Food Potentials — M. K. Bennett — Harper & Brothers, 49 East 33rd Street, New York 16, N. Y. (cloth) $4.

Your Investments: 1954 Edition—Leo Barnes — American Research Council, 11 East 44th Street, New York 17, N. Y. (paper) $3.

Joins Hutton Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—George A. Mandis has become connected with E. F. Hutton & Company, Board of Trade Building. He was formerly with Bache & Co.

Eldredge, Tallman Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Florence M. Colby has been added to the staff of Eldredge, Tallman & Co., 231 South La Salle Street.

Marriage Without Monotony

Most of the psychiatrists who write for newspapers about how to keep a marriage successful, emphasize that the woman should take pains to keep married life from being monotonous. They suggest that wives change their hair-dos, vary their style of dress, alter the color scheme of the house, and so forth.

All this, it seems to me, is aimed at making marriage less monotonous for the husband. On behalf of the wives, I hereby submit things a husband can do to make married life less monotonous for the wife:

(1) **Never come home to dinner at the same time every night.** The considerate husband, who doesn't want to bore his wife, will arrive an hour early on one day and stand around in the kitchen making suggestions. On another day he will arrive an hour late and complain about the cold food. On still another day he will arrive home late with three convivial friends, and ask his wife to set three more plates.

(2) **Don't be finicky about keeping social dates.** Once in a while if you plan to go to a party, go to it. But more often, after the wife has dressed, plead a headache and call it off. Better yet, call up from a local tavern fifteen minutes after you were supposed to have left the house and inform the wife you can't make it because an old friend came to town.

If you do go to the party, make passes at the prettiest blonde.

(3) **Be a buddy with your kids.** If the wife makes John go to his room because he has been naughty, tell him to come out and forget about it, assuring him women don't understand men. Always impress the children with the fact that their mother is a wonderful woman but they shouldn't pay too much attention to her because she lacks a sense of humor.

(4) **Women like to gossip, so gossip with your wife.** Say to her, "How come Mrs. Delaney always looks so neat and beautiful and she has been married longer than we have?" or say, "I can't understand it, Mrs. Jones has been married as long as you have and she hasn't gained a pound. Why don't you find out how she does it?"

(5) **Women like to participate in things with their husbands.** So have her help shovel the snow, mow the lawn, wash the car and move the piano to a different spot each week.

(6) **Women love the unexpected presents husbands bring home which prove that their love is still alive.** So bring her home some thread and suggest she sew some buttons on your coat. Bring along a can of paint and suggest she do over the bathroom. Or show up at the door with a dozen roses and ask her to take them over to your mother for her birthday.

If carried out, the above will guarantee no monotony in your marriage. It does not guarantee, however, that there will be a marriage. — *From "Uncle Mat's monthly letter issued by the Matrix Contrast Corporation of New York.*

SECURITY ANALYST
REGISTERED REPRESENTATIVE

Seeks position with progressive member firm. Writes constructively. Has serviced large staff of customers' men. Growing clientele.

Box J-128, "Commercial & Financial Chronicle," 25 Park Place, New York 7, N. Y.

DIVIDEND NOTICES

The Singer Manufacturing Company

The Board of Directors has declared a quarterly dividend of fifty cents per share payable on March 15, 1954 to stockholders of record at the close of business on February 16, 1954.

D. H. ALEXANDER, Secretary.

February 5, 1954.

ALLIS-CHALMERS MFG. CO.

COMMON DIVIDEND NO. 119

A regular quarterly dividend of one dollar ($1.00) per share on the issued and outstanding common stock, $20.00 par value, of this Company has been declared, payable March 31, 1954, to stockholders of record at the close of business March 1, 1954.

PREFERRED DIVIDEND NO. 30

A regular quarterly dividend of eighty-one and one-quarter cents (81¼c) per share on the 3¼% Cumulative Convertible Preferred Stock, $100 par value, of this Company has been declared, payable March 5, 1954, to stockholders of record at the close of business February 23, 1954.

Transfer books will not be closed.

Checks will be mailed.

W. E. HAWKINSON,
Vice President and Secretary.

February 3, 1954

Manufacturers of AET WALL & FLOOR TILE

AMERICAN ENCAUSTIC TILING COMPANY, INC.

Common Stock Dividend

The Board of Directors has today declared a quarterly dividend of 15 cents per share on the Common Stock, payable March 3, 1954, to stockholders of record on February 24, 1954.

G. W. THORP, JR.
Treasurer

February 5, 1954.

American INVESTMENT COMPANY OF ILLINOIS

93RD CONSECUTIVE DIVIDEND ON COMMON STOCK

The Board of Directors declared a regular quarterly dividend on the Common Stock of 40 cents per share, payable March 1, 1954, to stockholders of record February 15, 1954.

The Directors also declared the regular quarterly dividends on the 5¼% Cumulative Prior Preferred Stock, the Series A $1.25 Convertible Preference Stock and the 4½% Preference Stock, all payable April 1, 1954 to stockholders of record March 15, 1954.

D. L. BARNES, JR.
Treasurer

February 1, 1954

Financing the Consumer through nation-wide subsidiaries—principally:

Public Loan Corporation
Domestic Finance Corporation
Loan Service Corporation
Ohio Finance Company
General Public Loan Corporation

DIVIDEND NOTICES

CANCO AMERICAN CAN COMPANY

PREFERRED STOCK

On February 2, 1954 a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable April 1, 1954 to Stockholders of record at the close of business March 18, 1954. Transfer books will remain open. Checks will be mailed.

EDMUND HOFFMAN, *Secretary.*

ADVANCE ALUMINUM CASTINGS CORP.

Chicago, Illinois

The Board of Directors has declared a regular quarterly dividend of 12½ cents per share, and an extra dividend of 12½ cents per share, on the common stock of the corporation, payable March 10, 1954, to stockholders of record at the close of business on March 1, 1954.

ROY W. WILSON
President

AMERICAN-Standard

PREFERRED DIVIDEND
COMMON DIVIDEND

A quarterly dividend of $1.75 per share on the Preferred Stock has been declared, payable March 1, 1954 to stockholders of record at the close of business on February 23, 1954.

A dividend of 25 cents per share on the Common Stock has been declared, payable March 24, 1954 to stockholders of record at the close of business on February 23, 1954.

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

JOHN E. KING
Vice President and Treasurer

THE DAYTON POWER AND LIGHT COMPANY

DAYTON, OHIO

126th Common Dividend

The Board of Directors has declared a regular quarterly dividend of 50c per share on the Common Stock of the Company, payable on March 1, 1954 to stockholders of record at the close of business on February 15, 1954.

GEORGE SELLERS, Secretary

February 5, 1954

DIAMOND ALKALI CHEMICALS

Dividend Number 9 on 4.40% Cumulative Preferred Stock

Regular Quarterly Dividend on Common Stock

The Directors of Diamond Alkali Company have on Feb. 8, 1954, declared a dividend of $1.10 per share for the quarter ending Mar. 15, 1954, payable Mar. 15, 1954, to holders of 4.40% Cumulative Preferred Stock of record Feb. 20, 1954, and a regular quarterly dividend of 37½ cents per share, payable Mar. 5, 1954, to holders of Common Capital Stock of record Feb. 20, 1954.

DONALD S. CARMICHAEL,
Secretary

Cleveland, Ohio, Feb. 9, 1954

DIAMOND ALKALI COMPANY

DIVIDEND NOTICES

SOUTH AMERICAN GOLD & PLATINUM COMPANY

61 Broadway, New York 6, N. Y.

February 8, 1954.

A quarterly dividend of ten (10c) cents per share has been declared payable March 12, 1954, to stockholders of record at the close of business on February 24, 1954.

JOHN G. GREENBURGH, Treasurer.

IOWA SOUTHERN UTILITIES COMPANY

PUBLIC I.S.U.Co. SERVICE

DIVIDEND NOTICE

The Board of Directors has declared the following regular quarterly dividends:

35⅝ cents per share on its 4¾% Preferred Stock ($30 par)

44 cents per share on its $1.76 Conv. Preferred Stock ($30 par)

30 cents per share on its Common Stock ($15 par)

all dividends payable March 1, 1954, to stockholders of record February 16, 1954.

EDWARD L. SHUTTS,
President.

February 8, 1954

NORFOLK SOUTHERN RAILWAY COMPANY

Common Dividend

The Board of Directors of Norfolk Southern Railway Company have declared a quarterly dividend of forty-two and one-half cents (42½¢) per share on the common stock of said Company, payable on March 15, 1954, to stockholders of record at the close of business March 1, 1954.

CECIL M. SELF, *President*

O'okiep Copper Company Limited

Dividend No. 29

The Board of Directors today declared a dividend of twelve shillings per share on the Ordinary Shares of the Company payable March 2, 1954.

The Directors authorized the distribution of the said dividend on March 12, 1954 to the holders of record at the close of business on March 5, 1954 of American shares issued under the terms of the Deposit Agreement dated June 24, 1946. The dividend will amount to approximately $1.68 per share, subject, however, to any change which may occur in the rate of exchange for South Africa funds prior to March 12, 1954. Union of South Africa non-resident shareholders tax at the rate of 7.2% will be deducted.

By Order of the Board of Directors,
F. A. SCHECK, *Secretary.*

New York, N. Y., February 3, 1954.

SEABOARD FINANCE COMPANY

COMMON STOCK DIVIDEND

76th Consecutive Quarterly Payment

The Board of Directors of Seaboard Finance Co. declared a regular quarterly dividend of 45 cents a share on Common Stock payable April 10, 1954 to stockholders of record March 18, 1954.

PREFERRED STOCK DIVIDENDS

The directors also declared regular quarterly dividends of 53 cents a share on $2.12 Convertible Preferred Stock, and $1.43¾ on the $5.75 Sinking Fund Preferred Stock. All preferred dividends are payable April 10, 1954 to stockholders of record March 18, 1954.

A. E. WEIDMAN
Treasurer

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Now is the time for all good shareholders to write to their Congressmen—and maybe their Senators as well.

Despite the fact that President Eisenhower is behind the proposal to make a modest beginning toward ending double taxation of corporation income, and despite the fact that a good many Republicans are also for it, the plan is in jeopardy. Some of the nicest Democrats who believe in it privately, are likely to demagogue against it publicly, for this is an election year.

To see what the problem is, say tax men on the Hill, you've got to look into the total tax picture.

First, there is the Administration viewpoint.

From the point of view of the Eisenhower Administration, they have come up with a "balanced" program of tax reduction. By balanced, they mean that tax cuts are split between benefits for individuals and benefits for business. The benefits for individuals are designed to put more money into the pockets of the voting customers. The cuts on business are designed, like the carrot before the donkey, to give business an incentive to expand and produce better in a competitive era, and investors an incentive to place some equity money into business.

From the standpoint of the Administration, Congress ought to be ready, able, and willing to accept such a program, for it does, the Administration points out, benefit both individuals and business. And it is best geared to keep things going as business learns to live again in the competitive era.

That is briefly the message which Treasury Secretary Humphrey delivered in the public hearing before the Congressional Joint Economic Committee. Mr. Humphrey contends that $3 billion of tax cuts will benefit individuals directly. Another $1.2 to $1.5 billion, Mr. Humphrey said, will constitute incentives to business and investors, and by so doing, will help maintain production. Hence it will help maintain employment. So it will help maintain payrolls and will be of indirect benefit to everybody.

William McChesney Martin, the Chairman of the Federal Reserve Board, supported this viewpoint.

Democrats Take Different View

Then there is the Democratic viewpoint. This is important to consider, because there are just about as many Democrats in Congress as Republicans, and a good many of the R boys may run with the D gang on this.

Mr. Humphrey's balanced tax program consists of the lapsing Dec. 31, they will point out, of the average 10% or 11% personal income tax cut, the second personal income tax boost of 1951.

This is a tax cut which expired on account of a tax rate schedule enacted by the Democratic-controlled Congress of 1951. This is a "Democratic tax cut," not an "Eisenhower tax cut" Democrats say.

Now Mr. Eisenhower, they note, ain't got practically anything in the revision bill or the proposals for revision carried in his budget, which does much good directly for individuals. From the point of view of politics, Mr. Eisenhower doesn't get any credit with the voting suckers for withholding a request that the second personal income tax boost of 1951 be continued, or so they contend. If he made such a request they would call this a "tax increase." The new Administration's contention that it is cutting taxes on individuals just don't hold water, they assert, and they aim to do their darndest to prove that viewpoint.

In this connection the old story by ex-Veep Barkley is probably pertinent. In case you haven't heard it, it is to the effect that one of the constituents who had got jobs, favors, and benefits of all kinds for family and relatives wasn't supporting the candidate. "Why not?" asked the candidate. "What have you done for me this year," explained the ungrateful constituent.

Seek To Make Hay

Whatever their rationalizations, the Democrats are out to make political hay. When you in politics are faced with a real tough political campaign and want to get back in the trough, you don't let a little thing like a desirable tax reform or a badly unbalanced budget stand between you and enticing votes.

So the Democrats mean to make their pitch for a much larger element of tax relief for individuals than the Administration is ready to accept. Their move will be not less than a proposed boost of $100 in the personal exemptions (cost $2.5 billion) and there is no assurance whatever they can't make it stick.

Timing is Confused

What will happen to the tax bill depends a lot on the timing. The present intention of the conservative GOP group is to rush the revision through first (with its double taxation relief) and then proceed to the rate matter. This may or may not succeed. Can tell better after the revision bill is reported out of committee in a week or so.

If the revision bill comes up by itself, the Democrats are very likely to make a pitch directly against double taxation relief. They may do this directly by moving to strike out this specific relief or they may do it obliquely by moving at that early stage to recommit the bill to committee to increase the personal exemptions — they just haven't made up their minds yet.

If the revision bill drags to the point where the rate question cannot be escaped, then the Democratic pitch to raise exemptions may be made at that time. And since conservative Republicans will be disposed to cut excise taxes heavily and also give an individual income tax rate cut (but not the more expensive increase in exemptions), Mr. Eisenhower will really have himself a problem, whether to OK a big tax cut bill or veto it in an election year.

Deprecate Dividend Political Strength

This is where the letter writing comes in. The accepted viewpoint on Capitol Hill is that there just isn't any political charm in giving some benefits to persons who receive dividends. Every time a Democrat talks about the President's tax program, he scoffs at the idea that it is very important politics to benefit receivers of dividends.

The average member of Congress figures that only about 6½ million persons own stock, and that the only persons who hold more than a couple of shares and get dividends big enough to buy more than one swell feed at a swanky restaurant, are the filthy rich, who always vote Republican anyway.

These members forget that millions of little businesses are run in the corporate form, and that papa and mama with their bake shop or their hat shops pay dividends to themselves on what their corporate forms of business earn, just as much as the people who have socked away some of the securities listed on the big exchanges.

Congressmen are allergic to letters from constituents, especially letters that are spontaneous and are not inspired by suggested form letters from 1 to 10 inspired by some organized presssure drive. The preferred letter should be written, if not in pencil upon scratch paper, at least in pen and ink. No embossed stationery, please. It is even convincing to mispell the Senator or Congressman's name. It looks more like a genuine, ignorant voter.

Unless the many times six million stockholders of corporations, big, little, and medium, do write to their Congressmen, this first proposal to get serious backing to end double taxation of corporation dividends is very likely to get smothered in the political crush.

Joe to Hang on for SEC Bill

Although Joseph H. McMurray, the counsel of the Senate Banking Committee, has been offered a plush job with the New York Housing Authority, he told the "Chronicle" that he will hang around the SOB (Senate Office Building) until the SEC bill is out of the way.

This is of some importance to this effort to modernize the SEC act. Joe has not only been the focal point of negotiations between the investment banking and securities business and the committee, he is the one individual whose recommendations other members of the Banking Committee are likely to heed.

Wilson Cracks Down

There has just been issued a new Defense Department order number two zero two five point one, signed by Charles E. Wilson, Secretary. It said that when Department of Defense directives are issued they shall be carried out and be implemented by the various services in the department, period, no qualification, no semi-colon, no paragraph.

One of the chief purposes of creating a Department of Defense was to establish a common procurement policy for the Army, the Air Force, the Navy, and the Marines. However, as each Defense Department directive filtered down to the various services, they modified them so that they could interpret each clause, each word, and each practice so as to maintain the traditional diversity, not only of each department, but often of each area commander and even of each field command.

Hereafter, common procurement policy finally and belatedly, gets under way, and there won't be any rugs for the uniformed to crawl under. The revolution has come.

Martin Emphasizes Humility

When Chairman William McChesney Martin of the Federal Reserve Board appeared before the Joint Economic Committee last week, he recited many of the considerations familiar to monetary students which go into figuring out a change in monetary policy. He told the committee that the FR Board has "no static formula." Adding, "Humility is one of the keys to policy-formulation. The minute we think we have the answer to all these problems you then would be justified in worrying about us."

(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

"Notifying my broker of my change of address—no sense in missing any dividends!"

Calling All Business Men!

Ike is showing the way,
G-M is making the start,
We're in for a wonderful finish
With everyone doing their part!

So —

Have more Faith and less Fear
And make '54 another good year!

—George J. Meyer