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EDITORIAL

As We See It

Much of the Lincoln Day political oratory this year and some that had gone before it has hardly been elevating. This type of "spellbinding," or should we say, "mud slinging," has found its most extreme manifestation in the utterances of some of the more vocal elements in both political parties. If all this is a foretaste of what is to come in the campaigns now just getting under way, we shall have good cause for disgust before November arrives.

Verbal chicanery is hardly new to American politics. It began with the birth of the nation—or even before that—and has flourished from time to time ever since. So far as can be observed, however, it has never helped to define the real issues or led to a better understanding of current problems or to wiser decisions on the part of the voters. At best it is a nuisance; at worst—and it is at about its worst in some instances this year—it is a disgrace.

As is usual in such cases, however, it is probably quite futile to rail at it or to demand that it cease forthwith. So long as "practical politicians" see, or think they see, profit in its use, the practice will continue—and the more hoped-for profit, the more of it we shall have. The thoughtful citizen, interested in improving the workings of our political system over the longer period, will, therefore, inquire carefully about the conditions which seem to make it possible for this type of campaigning to flourish. In the instant case it is not merely a matter of the wild accusations of treason and the like, but various other types of charges now more frequently coming

Continued on page 50

Farm Price Supports In Danger of Collapse!

By HON. EZRA TAFT BENSON*
Secretary of Agriculture

Secretary Benson sketches present and prospective conditions in agriculture, and outlines recommended changes in the price support program. Says present price support program, because of increasing supplies dumped on the Commodity Credit Corporation, is in danger of collapse, and urges adoption of flexible price supports. Points out object is to work toward improving functioning of market prices rather than to move away from them, and that the Administration's recommendations aim to expand the total market as against a restricted production.

The Agricultural Situation

In general, agriculture is in a period of transition. There is the transition from conditions of inflation to what we anticipate will be relative stability of the general price level. Likewise there is the transition from the seemingly insatiable war and postwar demands to the more moderate needs of a peace-time economy. There are the continuing technological changes within agriculture as farming becomes more scientific and commercial. It is not surprising that agriculture experiences some difficulties in adjusting simultaneously to all these powerful forces.

Ezra Taft Benson

We have all been concerned regarding the serious declines in agricultural prices and incomes since 1951. Prices received by farmers now average 17% below the post-Korean peak of February, 1951. The realized net income of farm operators in the year just ended totaled $12.5 billion, almost $2 billion less than in 1951.

Continued on page 44

*A statement by Secy. Benson before the Joint Committee for the Economic Report, Washington, D. C., Feb. 4, 1954.

Savings, Investments And Interest Rates

By ROY L. REIERSON*
Vice-President, Bankers Trust Company, New York

Dr. Reierson, after discussing the economic outlook in relation to savings investments and interest rate fluctuations, points to recent firming of bond yields and money rates as result of easing of the credit situation. Concludes outlook indicates a continuing high level of funds accumulating with savings institutions, and predicts underlying economic pressures will probably cause some further easing of bond yields during 1954. Holds recent reduction in Federal Reserve discount rate does not signalize an aggressive "cheap money" policy, but points out, until there is sign of upward turn in business, both economic conditions and credit policy will support ease in money market.

Conditions in the investment markets are determined basically by two main sets of factors. The first is the way in which the investment community appraises the business outlook in general and the demand for investment funds in particular. The second set of factors includes the credit and debt management policies of the authorities. The operation of all these forces is vividly illustrated by the behavior of interest rates in 1953.

Roy L. Reierson

In the early months of last year, we experienced a rapid rise in practically all categories of interest rates, both short- and long-term. Business activity was at record heights, capital requirements were large and the credit authorities were pursuing a policy which the market generally interpreted as one of progressive restraint. At the same time, an effort was made to lengthen the maturity distribution of the Treasury debt by the sale of a modest amount of long-

Continued on page 40

*An address by Dr. Reierson before the Sixth Annual Savings Bank Conference, New York City, Feb. 8, 1954.

PICTURES IN THIS ISSUE—Candid pictures taken on the occasion of the 30th Annual Winter Dinner of the Boston Securities Traders Association at the Sheraton Plaza Hotel appear on pages 23 to 30 inclusive.

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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

Five Beneficiaries of Atomic Power—Harold S. Munroe, Jr., Partner, Hay, Fales & Co., New York City. (Page 2)

Leece-Neville Company—B. Winthrop Pizzini, Partner, B. W. Pizzini & Co., New York City. (Page 31)

HAROLD S. MUNROE, JR.
Partner, Hay, Fales & Co., New York City
Members of the New York Stk. Exch.

Five Beneficiaries of Atomic Power

Rather than to discuss any particular security, I would like to say a few words about the Atomic Age and the effect of atomic energy and atomic power upon our economy. Considering the inevitable enormous impact upon the lives of every one of us, the almost universal lack of interest in this subject is at once amazing and disturbing.

Harold S. Munroe, Jr.

The Atomic Age which has opened an entirely new era in the history of mankind, commenced in July of 1945 with the successful detonation of the first atomic bomb. Nuclear fission became a reality and its ultimate impact from a sociological, political and economic point of view will undoubtedly alter our entire way of living.

Relatively few persons know exactly what is going on in the field of atomic power. However, certain facts have been published in numerous sources available to the general public. For example, the USS "Nautilus" built by General Dynamics Corporation, the first submarine ultimately to be powered by atomic energy, was christened and launched late in January of this year. The second submarine to be so powered, the "Sea Wolf," is in process of construction. The prototype of the power plant in a land based model has been in successful operation for many months at a test station in Idaho. More advanced types of atomic powered propulsive units for submarines are in process of development. As far as other military considerations are concerned, President Eisenhower had this to say in a speech before the United Nations on Dec. 8, 1953:

"In size and variety the development of atomic weapons has been—remarkable. This development has been such that atomic weapons have virtually achieved conventional status within our Armed Services. In the United States the Army, the Navy, the Air Force and the Marine Corps are all capable of putting this weapon to military use."

It has been reported that through July 1953 approximately $15 billion have been invested in the Atomic Power Program. I would presume to guess that by this time the figure is closer to $18 billion or $20 billion. By its nature atomic energy is a contractors' industry. It was so created by the war-time Manhattan Engineer District and has been so continued by the Atomic Energy Commission. Private concerns under contract construct the plants, refine the uranium, produce the fissionable materials, fabricate the atomic weapons and develop new atomic engines for war and peace. Academic bodies search for new knowledge under similar contracts. According to latest available figures, contractors' employees numbered 142,000 of the 149,000 persons employed in the atomic energy industry in June 1953. The remaining 7,000 (less a few military personnel) are employees of the Atomic Energy Commission.

While in terms both of capital invested and persons employed the atomic power industry at the present time ranks low in our industrial empire, it should nevertheless be evident that within a very few years this industry will become one of the largest in this country, from the point of view both of dollars invested and of gross income.

Rapid as the expansion in this field has been in the past few years, progress along commercial lines has been delayed because of the accent on military uses as a result of international tensions which show every indication of continuing for the foreseeable future. However, there is some evidence that within the near future private industry will be given certain incentives to participate more fully in the atomic power program for peaceful purposes.

Perhaps the most important group of private companies seeking to develop atomic power for peaceful purposes is the Detroit Edison-Dow Chemical group which now includes 18 electric power systems, 4 manufacturing, one chemical company and three engineering and construction organizations, a team commanding a total investment of $8 billion in its various companies. The present effort of these companies is directed toward the development of the preliminary design of a high temperature, fast-breeder reactor and associated plant for the generation of electric power on a competitive basis. This group of companies believes that the development of such a reactor is feasible and that they can be ready to undertake the detailed design and construction phases before the end of 1954 without any government subsidies, provided the Atomic Energy Act is modified to permit private enterprise:

(1) To build, own and operate atomic energy plants.

(2) To acquire, own and dispose of source materials.

(3) To acquire, own and dispose of fissionable materials.

(4) To sell and distribute end products and by-products in an atomic energy facility.

(5) To obtain licenses from the Atomic Energy Commission.

(6) To obtain normal patent and trade secret protection subject only to full disclosure to the Commission for its own use and military purposes.

The consensus of private industry opinion is that if the Atomic Energy Act is amended to provide certain patent protection and permit exploitation of such inventions as are made by private industry for profit, advancement in the art of atomic power will be relatively rapid.

While it is relatively simple to point out the ultimate importance of the atomic power industry, it is a much more difficult proposition to determine where investors' money can be put to work profitably in this vast field of the future. It is known that such "blue chips" as Westinghouse, General Electric, duPont, Union Carbide and many others are heavily committed in one or another branch of the atomic energy industry. From the point of view of a very long-term holding it might be better to invest in one of these companies in order to attain a position in the atomic power industry as a small part in a greatly diversified field. However, my personal preference tends towards smaller, less well known companies which, in my opinion, will benefit percentage-wise to a much greater degree as a result of indirect participation in the Atomic Power Program than will the large companies mentioned before. By indirect participation I mean that these companies are all makers of metallic alloys which are used to a greater or lesser degree in one or more aspects of the Atomic Power Program. Some of these companies are: Beryllium Corporation, Lithium Corporation, Pittsburgh Metallurgical Company, Fansteel Metallurgical Company and Consolidated Engineering Corporation. As a matter of interest I am appending some pertinent statistical facts about these five companies.

I should like to emphasize that this list is in no way comprehensive. There are numerous companies just as well if not better emplaced in the atomic energy industry. It so happens that the companies enumerated above are ones that I have followed rather closely in the past several years. In fact four out of five of them were named in this very column in the issue of Thursday, April 20, 1950. The fact that all of these stocks have done extremely well in the period of 1950 to 1954 is inconsequential. It is my firm belief that the profit potentials from this point in a package purchase of these stocks is just as great over the next four years as it was in 1950 when I originally listed them.

In closing I should like to state that I am far from being an expert in the field of atomic power. A great many of the facts expounded in the foregoing have been derived from a monthly publication entitled "The Bulletin of the Atomic Scientists" and from the November 1953 publication "The Annals" of the American Academy of Political and Social Science entitled "The Impact of Atomic Energy." These publica-

Continued on page 31

Where Traded	Company	1953-1954 †Price Range High Low	Approx. Current Market 2/5/54	1953 Div.	Yield	1953 Earnings	P. E. Ratio
OC	Beryllium Corp.	36 -23¼	27	*6%	6.0%	‡$2.00	13.5
NYSE	Fansteel Metallurgical Co.	34⅜-21¾	25	¶$.50	7.0	‡2.00	12.5
ASE	Pittsburgh Metallurgical Co.	38 -28	35	2.50	7.1	‡§5.20	6.7
OC	Lithium Corp. of America	8¼- 3⅝	8	0	0	‡0.45	17.8
ASE	Consol. Engineering Corp.	15¼-10⅝	14	.40	2.9	‡0.80	17.5

*In stock. †Through Feb. 5, 1954. ‡Estimated. §12 months ended June 30, 1954. ¶50 cents plus 5% in stock.

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Are We in for More Inflation?

By RAYMOND RODGERS*
Professor of Banking
School of Commerce, Accounts & Finance, New York University

Commenting on revived inflationary sentiment, induced by the Colin Clark thesis that a $20 billion deficit is needed in the 1954-1955 budget to ward off a depression, Dr. Rodgers discusses the fiscal and political aspects of this inflationary complex. Holds argument that wage increases are necessary to preserve purchasing power as a dangerous fallacy, and predicts "this inflation-as-a-way-of-life philosophy" will reach dangerous proportions if business should decline sharply. Sees Keynesian-New Deal philosophy widely accepted—even by the Republicans in Washington—and concludes, because of new and underlying strength of our economy, the principle of a "more valuable dollar" need not be sacrificed. Lists what government can do to counter deflation.

Widespread fear that the current mild downward trend to more normal levels in business activity may develop into something much more serious in character if contra-deflationary action is not promptly taken, has revived inflationary sentiment and given birth to a new litter of inflationary proposals. Adopting the thesis of Colin Clark, the distinguished Australian economist, more and more people are subscribing to the view that unless the government deliberately contrives a deficit of, say, $20 billion in the 1954-55 budget, the current readjustment will degenerate into a business reaction of such magnitude, and unemployment will become so serious, that it will cost even more than such a huge budget deficit.

Raymond Rodgers

In addition to growing inflationary sentiment and proposals, several actions of the Administration and monetary authorities, such as the sharp change in credit and debt policies last summer, have caused many to conclude that the widely hailed "more valuable dollar" goal of the Administration is in danger of being sacrificed to an economic paradox which might be satirized in these words: "The more deflation, the more inflation!"

Reasons for Fear of More Inflation

There are many reasons for this revival of the fear of inflation.

On the fiscal side, despite high taxes and heroic spending cuts, the budget for fiscal '55, beginning next July, will show a deficit of $2.9 billion, according to the President's Budget Message. Also, it must not be overlooked that even a moderate slowing up in business activity could substantially increase this anticipated deficit, as nearly 80% of government revenues now come from levies on corporate and personal income and are, thus, extremely sensitive to changes in business conditions.

On the political side, the inflationary pressures are increasing. As this is a Congressional election year, the legislative chorus of "Do something for everybody" will undoubtedly become even more vociferous and insistent. Politically, something will have to be done for the farmer — but what? Although several billion dollars have been poured into the present farm price support program, no one seems happy about it—and keeping the farmer happy is a political imperative! Labor, too, may be expected to win at least a few political innings in the coming months. And so it goes with still other pressure groups.

The **changed role of government** is undoubtedly the greatest source of concern to those who fear inflation. For example, the Employment Act of 1946 places direct responsibility upon the administrative branch of the government for intervention in the economic process when needed to preserve employment opportunities. Then, too, there is the great need of the Treasury for revenues, a need so great that it can only be realized in a boom, or so-called expanding, economy.

Labor and Inflation

Labor's insistence on ever-higher wages, featherbedding, and other unproductive practices are too old a story in the constant tug-of-war with inflation to be repeated here.

The current argument, however, that as business slows up wage increases will be necessary to preserve purchasing power and prevent a depression from developing is such an attractive — and dangerous — fallacy, that it will be examined.

Obviously, such a policy would be highly inflationary in its first stage, as the higher wages would have to be reflected in higher prices. **But,** the higher wages needed to pay those higher prices would go to only a small proportion of our people! To be specific, it would directly affect only some 15 million of our 160 million population, even if every union member got an increase, which, of course, would be impossible as there would be many firms which

Continued on page 39

*An address by Dr. Rodgers at the Mid-Winter Conference of the Illinois Bankers Association, St. Louis, Mo., Feb. 11, 1954.

INDEX

Articles and News

	Page
Farm Price Supports in Danger of Collapse! —Hon. Ezra Taft Benson	Cover
Savings, Investments and Interest Rates—Roy L. Reierson	Cover
Are We in for More Inflation?—Raymond Rodgers	3
Caps Off to Coca-Cola—Ira U. Cobleigh	4
Outlook for Stock Prices in 1954—Glenn G. Munn	4
External Affairs Will Determine Our Economic Health! —Leo Cherne	6
Business in 1954 Faces No More Than a Readjustment —J. Albert Woods	7
Trust Investments During Transition Period—Marcus Nadler	9
Railroads Shackled by Outmoded Regulation—William White	12
Reflections on the Guaranteed Annual Wage —Sumner H. Slichter	14
Shifts in Bank Deposits: 1940-1953—Morris A. Schapiro	18
The Aircraft Manufacturing Industry—A Look Ahead —H. M. Horner	19
A Reappraisal of the 1954 Business Outlook—Kenneth D. Ross	20
Economic Progress of the Free Nations —Hon. Harold E. Stassen	21
Consumer Credit—A Dynamic Force in American Banking —Philip Woollcott	22
Reasons for Confidence—Roger W. Babson	31
Facts That Spell Out Future Sales—Stanley C. Hope	32
U. S. Should Aid, But Not Force Currency Convertibility —Lamar Fleming, Jr.	34
* * *	
Frederick G. Shull Opposes Raising Gold Price (Letter to Editor)	10
Herbert A. Leggett Tells How to Write a Perfect Forecast	10
Alden A. Potter Discusses Economic Naivete in High Places! (Letter to Editor)	18
Port Authority and Triborough Authority Announce Plans for Comprehensive Study of New York-New Jersey Arterial Traffic Problem	33
Mortgage Money to Be Ample, Says Jules Bogen	35
"Saving Commonsense" (Boxed)	41

Regular Features

As We See It (Editorial)	Cover
Bank and Insurance Stocks	37
Business Man's Bookshelf	8
Canadian Securities	*
Coming Events in Investment Field	8
Dealer-Broker Investment Recommendations	8
Einzig—"Optimism on London Stock Exchange"	36
From Washington Ahead of the News—Carlisle Bargeron	6
Indications of Current Business Activity	43
Mutual Funds	38
NSTA Notes	8
News About Banks and Bankers	35
Observations—A. Wilfred May	5
Our Reporter on Governments	36
Our Reporter's Report	50
Public Utility Securities	39
Railroad Securities	37
Securities Now in Registration	46
Prospective Security Offerings	48
Security Salesman's Corner	33
The Market . . . and You—By Wallace Streete	16
The Security I Like Best	2
The State of Trade and Industry	5
Washington and You	52

*No column this week.

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Caps Off to Coca-Cola

By IRA U. COBLEIGH

Author of "Winning in Wall Street"

A somewhat effervescent account of some of the reasons why Coca-Cola is a natural for thrifty investors, as well as for thirsty individuals.

There used to be a famous expression, rather dimmed by the international events of the past 15 years, "The sun never set on the British Empire." While that sentence has contracted with the passage of time, you might paraphrase it today, with greater accuracy, and say that "The sun never sets on Coca-Cola." In 86 countries of the world, from Hong Kong to Hejaz to Harrisburg, this magic name has become a sort of common denominator of ecumenical sociability, a preferred beverage from Back Bay to the Bay of Bengal; yet remained almost as American as baseball, apple pie and political conventions.

Ira U. Cobleigh

As we sketch the prowess, prestige and profitability of this unique American enterprise, certain elements stand out rather sharply. First, there's the absence of product diversity. Many corporations have grown great by offering a wide variety of products—General Electric and General Motors, for example. Not so Coca-Cola. Since one John S. Pemberton hit upon the syrup formula, known as Coca-Cola, back in 1886, the company has sold Coca Cola period! Under the early and sole proprietorship of Asa G. Candler of Atlanta, this product expanded from strictly soda-fountain sales, to bottles, to national, and, in due course, international distribution. The unique quality and taste appeal were there all along; but certainly much of the dynamics of Coca-Cola was supplied by a brilliant, extensive, and unremitting advertising program. In the United States alone, Coca-Cola is believed to spend above $20 million a year on all varieties of advertising.

Much as a big department store on Main Street will create business and sales profits for smaller stores and specialty shops in the block, so Coca-Cola has carried the whole soft drink business into new volume altitudes. "Fizz-drinks" or carbonated beverages as they are technically called, are riding a king-size up trend. In 1930, per capita imbibing of these equalled 55 bottles a year—today it's probably 200. This may seem a little startling, what with all the greatly increased consumption of beer, wines, and "hard likkers" being racked up during the same period. On further analysis, however, it makes a lot of sense. First, shorter work weeks (and more leisure) through the years, have meant more time spent at home. Television has accentuated this factor. Secondly, and more important, carbonated quaffing is primarily a custom and pastime of the young; and our youth population is burgeoning. In the United States we now have about 63 millions under 25; and we may easily have 10 million more by 1960.

50% of Soft Drink Business

To be specific, this soft drink market is a vast and growing one, especially in the pre-martini set; and the astounding fact, for our purposes, is that Coca-Cola, despite most energetic competition from a number of companies, and repeated efforts to create an equivalent product, Coca-Cola, I say, still does 50% of the total soft drink business. Its nearest competitor does a total gross business about a fourth as large as Coca-Cola. Not only that, but Coca-Cola has shown an amazing capacity to double its sales. Sales doubled in the 1930-40 decade; doubled again, 1940-50; and a projection of current increases indicates another business double (not a bridge term) by 1960.

Perhaps a brief outline of company operations might be helpful before we get down to seeing what the factors are here that should logically ingratiate themselves to investors. The primary product is syrup, manufactured in 10 U. S. plants, and a number abroad. In the U. S. it then is sold to two major buyers, (1) the six big bottling companies (owned by Coca-Cola itself) for resale to about 1,140 local bottlers and (2) almost 2,000 jobbers who resell it to the fountain trade. The bottle business is by far the more important, equalling over 75% of domestic sales. Further, as a corporate technique, it's a beautiful arrangement, as independent bottlers buy all the bottles, the delivery trucks, the plants, etc., leaving Coca-Cola the clean clear profit on the sale of syrup; and neither the headaches that sometimes go with local retail distribution, nor the multimillion dollar outlay and investment required for bottling and delivery facilities.

Something over 20% of gross now comes from foreign sales and this section is actually growing faster than the domestic trade. Assuming continued peace, and rising economic stability abroad, the projection of Coca-Cola's foreign business is bright indeed. Syrup is not sold abroad —instead a concentrate is delivered with sugar to be added at destination.

A word should be said about retail prices. Basically and historically, the company policy has been to aim at a low price which could maximize retail sales. To that end, it has consistently exhorted bottlers to maintain the traditional five cents price level. This policy has been pretty well adhered to until about mid-1953, when it began to look as though the five cent "coke" would follow the five cent subway ride and the five cent phone call into the limbo of history. I remember, touring Cape Cod last summer, running across some gas station coin dispensers which had just switched from five cent to 10 cent slots. The gas station boys didn't report any important slippage in bottles sold, even at the dime price. And herein lies an interesting point. If profits of Coca-Cola have been held rather rigidly in check, especially during the past two years, by the five cents limit, think, for a moment, of the opportunity for increased net as retail sales slowly move toward the 10 cent figure. People will not stop buying "Coke" at a reasonable and warranted advance in price. From the company viewpoint, too, there has been, up to now, no particular urgency to lift retail prices as the higher net profit, which might have been gleaned, would have gone mostly to E.P.T. anyway.

Continuous Dividends Since 1893

Let's turn now to some more specific investor items. Until 1919 KO was sole preserve of Mr. Candler. In that year, however, he sold out for a tidy $25 million and since then it has been not only possible but profitable for the general public to share the proprietorship. The enterprise has paid dividends in each year from 1893. Today there are listed on the New York Stock Exchange 4,260,000 shares of KO common, now selling at about 120, affording a yield, on the current $5 dividend, of 4.2%. This common is the sole capitalization. The balance sheet is a singularly uncluttered document, revealing an elegant financial position involving some $120 million in current assets, which exceed current liabilities by approximately four to one. The nature of the Coca-Cola business, and its financial strength do not suggest the need for any sort of financing, either this year or in the foreseeable future. Here, for once, is a company that apparently does not need to set aside millions annually to pioneer in new fields, or dabble in peripheral products.

Management here has been stable, efficient and continuous, with three past Presidents now on the board. As pointed out earlier, there has apparently been no tendency for the company to stagnate (as evidenced by the decade doubling of sales), and direction of financial policy leaves little to be desired.

Stock Not Overpriced

Marketwise KO common does not appear over priced at the 120 level. For 1953 it ranged between 107 and 125; but 1953 was the largest year in company history. 1953 net of around $7 could easily be expanded by a number of the factors we've discussed—population growth, foreign business, better retail price. Further favorable elements might be reduced sugar prices, and improvement in the carrydown of net income. For 1952, net was 11% of sales against 20% in 1946.

Coca-Cola stock has been, in truth, an amazingly durable and dependable investment. It earned money throughout the depression, and actually increased its dividend in 1932. If you just sit down and draw a sales curve beginning at $215 million for 1950, and project it through 1951, 1952 and 1953, you'll get a line which could reach $375 million by 1960, and a $12 per share figure for common. There'll be a lot of caps off to Coca-Cola meanwhile. Coke's a natural, for refreshment or investment.

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Outlook for Stock Prices in 1954

By GLENN G. MUNN*

Consulting Economist, Paine, Webber, Jackson & Curtis
Members, New York Stock Exchange

Mr. Munn, pointing out stock market prices and corporate earnings frequently move in contrary directions, holds stock investors have greatest opportunity over next two years in all history to profit from the tremendous technological advance in American industry. Denies stock prices are inflated, and sees "cushions" against extreme downward swings. Contends there are a number of interweaving movements responsible for current stock market, and the "Blue Chips" do not always offer best opportunities for gain. Cites reasons for no likelihood of severe market collapse.

My approach to the stock market is multi-sided. As a student of stock market phenomena, I will not reject any tool that assists in making decisions to buy or sell. This covers the whole complex of business activity, the political climate in which it operates, fiscal policy, money and credit, foreign affairs, and the technical situation.

Glenn G. Munn

The economist can limit his field, and deal almost wholly with business and financial data. The stock market forecaster must sift at least three fields: business, financial, and technical. Many stock market forecasts go wrong because of exclusive preoccupation with business trends. Rarely are these three backgrounds working in phase. Oftentimes, one or two of these factors are in conflict—their trends are divergent. In the stock market, the financial and technical backgrounds cannot be ignored. Particularly, at turning points, either the financial situation or technical, or both, can easily carry more weight than the business situation.

Moreover, an examination of the record over the past fifteen years will disclose that the stock price and business (or earnings) trend moved in unison not more than 25% of the time; in contrary direction, about 75% of the time. Hence it is that the stock market in its short-run and intermediate-term movements has the reputation of being illogical, perverse, or downright ornery.

Conclusions

My conclusions, stated as probabilities rather than as oracular absolutes, are:

(1) It is impossible to talk intelligently about "The Market," or even about "Groups," because their behaviour and present price position are so mixed. Actually, there are five or six divergent, interweaving movements recognizable in the current market.

(2) Except for the "social-register" issues, i.e., the "pension club" equities which dominate the familiar stock averages, the majority of stocks represent the most deflated sector of the economy. For the longer-term, they are under-valued rather than over-valued. However, I do not believe these highest-grade stocks, which sell at multiples of from 15 to 30 times earnings will decline very much, even though, technically, they are the most vulnerable. They are made to order for the newer types of investment organizations, such as pension funds, foundations, and Mutual Funds which furnish almost continuous buying support, on a sort of dollar-averaging plan. Such institutions regard the highest-grade equities as eminently satisfactory, transcyclically, for their long-term appreciation characteristics, and for their current (and tax-free to them) income. A large proportion of the new products from the great fundamental discoveries of the past 15 years will emerge from the laboratories of these concerns.

3. I doubt that the Dow industrial stock average surpasses significantly the highs made Jan. 5, 1953 in the first quarter of 1954. Rather, I expect a short-term decline of 3%-7½%, but not lower than to 268 in the Dow Industrials running into March or April.

4. New highs in the Dow Industrials for the whole post-war era at some time in the second quarter, probably in May or June. Perhaps also in the rails.

5. It is possible that the earlier part of 1955 could be a slightly more difficult business year than 1954, but it is difficult to visualize an annual FRB production index lower than 122.

6. More new salesmen will be employed in 1954 than in any previous year in our history.

Supporting Arguments

(1) Keynesian doctrines have been adopted in most Western countries. This is the first basic cushion. The Eisenhower Administration, however, has changed the order of emphasis. It has freed the market of price controls, given private initiative its head allowing competition to perform the great task of regulation. Thus, together with the restoration of the classic incentives, it has restored the full classic base

*An address by Mr. Munn before the Seventh Farmers & Merchants Bank Forum, Long Beach, Cal., Jan. 28, 1954.

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of economics as a starting point. However, Government is committed, at minimum, to the recognition of two principles: (a) Cheap Money, (b) Full Employment.

If necessary, it will intervene in the economic process with supporting measures to implement these goals. But at no time since the end of the war has it been necessary up to now to intervene with more than monetary and fiscal action.

Full employment politically means over-employment economically, i.e., labor is able to force wage increases because of its short supply and monopoly position. This tends to add to inflationary pressures because higher wages are communicated to costs and prices. To counteract the higher wage costs, business is under constant pressure to spend heavily to modernize plant and equipment, with emphasis on labor-saving machinery. Thus, a two-fold stimulation to business is continuously effectuated.

It sounds startling, and to classical economists foolish, to say that depressions are against the law of the land. But that is the meaning of the preamble to the Employment Act of 1946.

President Eisenhower and his chief economic advisers are said to share the conviction that to prevent a depression in the United States takes priority over everything else, only except World Peace. The Council of Economic Advisers, with the plans of its several task forces worked out in advance, aims to implement the Employment Act and this conviction, by intervention at decisive points, if necessary.

Behind these views are three basic propositions.

(1) The contest between the "Free World" and the "Totalitarian World" is largely a competition between the efficiency, and ultimate survival, by magnetizing others off their fence-sitting neutralism, of the two opposing systems.

(2) The American people must never again suffer the human and material waste of needless idleness of men, money, and machines that occurred in the Great Depression of the early thirties.

(3) The rest of the Free World depends upon trade with us to such an extent that any slump here would have serious repercussions abroad.

However, very few people believe in the efficacy of Government intervention. That is shown by the behavior of the stock market for ten years, especially in recent years, and by the headlines emanating from the sanctums of the great, imposing symposiums of professional economists. It is contrary to economic history. The memories of 1919-1921, 1929-1932, and 1937-1938 are too vivid in the minds of most people now living to accept the thesis of successful Government intervention at face value, even though on the earlier occasions no attempt was made by Government to interfere with

Continued on page 44

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The State of Trade and Industry

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Business Failures

No change of significance was evident in total industrial production in the period ended on Wednesday of last week from that of the preceding week. Compared with the similar period one year ago output was off approximately 7%. In the week under review, it was noted that a rise in output of non-durable goods was offset by a corresponding decline in production of durable manufactures.

Unemployment, it was reported, held markedly above a year ago, but, it was pointed out, constituted only 5% of the labor force as opposed to 3% last year.

New claims for jobless pay declined to 364,000 in the week ended Feb. 6, off 13,500 from the preceding week, the United States Department of Labor stated. The drop was the fourth in a row from a peak of 468,878 in the week ended Jan. 9. Unemployment compensation was being paid to 2,100,000 persons late in January, about a million more than a year earlier.

A report from the Federal Reserve Board states this week that industrial output in January declined for the third straight month. Its unadjusted index, which measures output of the nation's mines and factories, dipped to 124% of the 1947-49 average.

This was one point lower than in December and eight points below January, 1953, and 14 points under the peak rate reached last March. Auto assemblies in the first two weeks of February fell "about 5%" below the January average, the board declared, while steel operations held around the January level.

Steel producers can thank their lucky starts that scrap prices are not a reliable barometer of future steel business, for scrap prices are in the midst of a long sinking spell from which there is still no sign of recovery, states "The Iron Age," national metalworking weekly, this week.

The scrap industry has been undergoing a severe and painful readjustment since the middle of last year. This correction in supply and prices threatens the very life of some firms remote from consuming mills that had been supplying scrap during the emergency period.

Yet many steel companies are still doing pretty well while the steel industry operations average about 75% of capacity, it continues.

Scrap prices started tumbling soon after "The Iron Age" steel scrap composite price hit it's 1953 high of $44.92 per gross ton last July 28. Since then they have declined rather steadily—except for a month-long comeback in October and early November.

This week "The Iron Age" composite suffered it's sharpest drop in several weeks, sinking another $1.34 a ton to $25.33 a gross ton. This marks the seventh consecutive week of decline, the twelfth in the past 13 weeks. Overall this price has fallen nearly $20 a ton since it hit it's 1953 high last July.

Only once before since World War II have scrap prices suffered a shakeout comparable to the present one, states this trade journal. That was in the first half of 1949 when prices fell more than half. This was followed by a steel inventory correction in the summer months. A month long strike during October of 1949 restored steel demand to its previous heights. Will history repeat?

An easing steel market seems to have weakened the union's bargaining position, since mills no longer feel the desperate urgency that customers used to exert to keep steel production going at top speed. At the same time, the threat of unemployment has obviously intensified the union drive for security, declares this trade authority.

The security motive dominates the list of objectives that are shaping up as United Steelworker strategy for 1954. These objectives include higher pensions; more social insurance; guaranteed annual wage, and a wage increase.

Steel companies will certainly be in a stronger position to resist big union demands, now that they no longer feel the hot breath of customers on their necks. Also, there will likely be an increase in plant-wide vacations—both by steel companies and their customers, concludes "The Iron Age."

In the automobile industry new car dealer stocks edged to a new all-time record on Jan. 31, "Ward's Automotive Reports" stated on Friday of last week.

The count, 18% over Dec. 31, and 12% over the previous peak established last Oct. 31, was equivalent to a 52-days' supply. A 30-day inventory is considered normal, it added.

"Ward's" said output cutbacks which preceded the stock buildup will hold February car production 6% below last month's. But it is doubtful if sales will be sufficient to match incoming shipments and bring any appreciable change in dealer stocks before the end of March.

January new car dealer deliveries approximated 355,000 units, seasonal factors holding volume under December's 365,000 and the 420,300 of January a year ago. However, January-March car output is still expected to rank as third best in history.

Ward's counted 107,578 car and 21,346 truck completions a week ago, compared to 108,382 and 19,846 the previous work period. Volume the past week was 6% behind a year ago, when 114,935 cars and 22,490 trucks were assembled.

Most truck builders were at a higher pitch last week. But principal factors in the week's sharp upturn were International, Chevrolet, Dodge, Mack, Studebaker and Willys, where truck increases were largest. Federal returned to activity, following a week's inventory, this agency reported.

General Motors Corp. made the largest gain in passenger car volume, while Chrysler Corp., Ford Motor Co. and combined Independent tallies dipped from levels of a week earlier. Only Ford Division reported any six-day scheduling, with three plants to turn out cars and truck on Saturay last. DeSoto, Dodge and

Continued on page 42

Observations . . .

By A. WILFRED MAY

What's New in Washington?

Back in the Fair Deal days when Secretary Brannan had it all figured out how to make all the voters happy with the farm situation, President Truman one day summoned the Chairman of his Council of Economic Advisers to his office to "audition" an exposition by the Plan's author. After Dr. Nourse had given the scheme his objective going over for some moments, the President, bored and impatient with the emergence of ivory-towered skepticism, interrupted with: "You may be right as an economist; but I think Charlie's probably got something there." (The "something," of course, signifying something *politically* useful.)

A. Wilfred May

This incident, epitomizing the basic schism between the professional and the political approaches to the nation's current economic problems, highlights the basic difficulty obstructing the functioning of the expert midst an environment of "realistic" politics.

Exploitation Via Publicity

In the Truman Administration the exploitation of expertism for political ends—the camouflaging of the political protagonist in economist's clothing—was furthered through the publicity attending the activities of Dr. Nourse's successor, after his break with the Administration over the issue.

The possibility of imminent re-emergence of this conflict between political expediency and economic objectivity now is envisaged by this writer through conscientious Chairman Burns' indicated willingness to compromise, however well-intentioned. True it is that the former practice of periodically publishing two complete reports each embodying philosophy and policy pronouncements, one from the Council to the President and the other from the Chief Executive to the Congress, has this year been constructively replaced by a single report from the President on his own responsibility; with a relatively unimportant addendum of a mere "housekeeping statement" by the Council. While this has been encouraging, some signs of back-tracking are already emerging.

The present Chairman's indicated willingness to testify on the Hill, combined with the involuntary conference of colorful newspaper publicity on the august body's doings, raises worry about the rebirth of the previous analogous situation. Refuge in off-the-record responses to needling Congressmen certainly provides no constructive solution.

What will happen if and when the Nation's number-one economic official is called on to make a public pronouncement regarding some politically popular but economically indefensible policy—perhaps involving subsidy in any of its various forms (who knows, even butter)? There will be situations where he must either prostitute his integrity as an objective expert, or else end his usefulness as the useful servant of a politically-conscious Administration. To this writer, the only proper practical solution lies in his preservation of real anonymity in the guise of expert adviser to the Chief Executive, with the latter openly functioning as the political official.

The Fair Deal Stays On

Incidentally, in its economic philosophy the present Republican Administration's "Brain Trust" seems to represent an absolute minimum of change from that of its predecessor.

Specifically, not only does the Council condone the recent re-easing of credit requirements and the re-rigging of the Government bond market with the accompanying inflation-engineering — in lieu of its earlier "demoralization" [?] —but feels that further easing may well be in order. Again, in the area of taxa-

Continued on page 51

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External Affairs Will Determine Our Economic Health!

By LEO CHERNE*

Executive Director, Research Institute of America

Mr. Cherne, in painting a dismal picture of the international situation, sees Soviet bloc increasing its trade with our allies, and experiencing a rapid rate of economic and military build-up. Says this environment will keep us in an arms-supported economy for years to come. Points out "curious" domestic situation in which wages are rising and prices are firm in a recession.

Behind-the-scenes conversations in embassies throughout the world are leading to sharply increased trade between our allies and the Soviet bloc. The rate of Soviet economic and military buildup is increasing and within ten years the Kremlin may have achieved near parity in industrial strength buttressing her already larger military forces. The Soviets have weathered the death of Stalin with hardly a ripple. The Research Institute was among the minority which years ago indicated that this would be probable.

Leo M. Cherne

Some economists have tended to examine our economic outlook for 1954 solely in terms of domestic business activity. We're going through a brief period of exaggerated preoccupation with internal affairs. The key fact, however, is that the Soviet Union and events outside the United States will continue to be the strongest influences on our own economic health.

The possibility of war with the Soviet in 1954 is extremely small; but the possibility of a genuine peace is even more remote. Berlin will not bring together the two irreconcilable worlds. If anything, it is likely to hasten Western disunion and Russian strength.

We have long been concerned with French instability, the ever-present strength of the Communist Party in that country. Now we have awakened suddenly to see the Communists increase their strength in Italy where they are not only the single largest party, but by 1955 may even be able to paralyze orderly government.

No prospect for victory can be reasonably expected in Indo-China. Korea is a mess with no likelihood of settlement and with no possibility of Chinese withdrawal.

Austria has been turning slightly from the West, lured by the promise of a Soviet peace treaty and increased trade. And never forget that Austria is the one country of Europe that can least live on itself.

Western German economic strength has increased enormously, but so has its trade with the Iron Curtain countries and its competition for the markets of an already shaky Britain.

Japan has been taken off the hook of occupation and now moves relentlessly toward trade with Red China which it sees as the only possible door to economic survival.

This is just part of the economic and military backdrop behind the Berlin Conference. This is the environment which will shape American policy and will keep us in an arms-supported economy for years to come. Even the Soviet Union has stopped predicting an American depression. They say that in 1954 we will experience a "spad," the Russian term for a modest decline. Incidentally, this is the first time the Soviet has ever called a spad a spad. But even they may be surprised to find that the spad is a "loshka," that the spade only turns out to be a teaspoon.

New U. S. Policy

For the next few months the U. S. foreign and military policy will continue to be based on a new assumption. This assumption is that there has been a great strategic change in the world; that the Soviet Union has no intention of aggressive action; that the risk of atomic war upon the United States is negligible; that an interval of negotiation is in prospect. I am afraid that this concept won't last much beyond 1954. We'll wake up suddenly to find the Western allies weakened by peace talk, the Soviet strengthened by its enormous industrial buildup and by trade with the West, and that in place of a Korea we will suddenly face the danger of an Italy or a France even further weakened by internal decay and Communist inroads.

On the domestic front, we're now in the most curious recession an industrial nation has ever experienced, a recession in which wages are still rising and prices are not declining. I recognize that employment has been declining, that some inventories have backed up, that you can now get a Cadillac within five months of the time you put in an order instead of a year. But on the basis of anything we have seen yet, if this represents acute business difficulty, then I'm tempted to say that we're lost the capacity to compete, the will to grow, the confidence to function, or the fiber to survive.

The answer to every modest economic problem which confronts us in 1954 can be found in one direction alone—prying loose even a portion of the billions of dollars held by American families in savings. We are, in my judgment, not at the end of an economic era; we're at the beginning of a vast new technological, chemical, synthetic and atomic revolution. In this transition there is perhaps one chance out of ten that we will suffer depression. But even that one chance occurs only because we may be paralyzed by our own uncertainty.

President Eisenhower has correctly said that we're in transition. But we're not in transition from an arms economy to a peace economy. We are, in my judgment, in transition from one crisis to another, from the open threat of war to a continuous hidden threat of war, from conquest by aggression to conquest by subversion. The world is shrinking on us rapidly. Each day more clearly sees two giants stand out. The disparity in their size is being reduced too rapidly for comfort because we are one of these giants, and the other, the one that's growing faster, is the Soviet bear. Never before has American energy, production and industrial imagination faced as vital a challenge.

*From an address by Mr. Cherne before the New York Credit and Financial Management Association Annual Banquet, New York City, Feb. 16, 1954.

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From Washington Ahead of the News

By CARLISLE BARGERON

For the first time in history, at least for the first time in that part of the history with which I have been associated, a political party out of power is making an issue over the abuse allegedly being heaped upon it by the party in power. And it seems to be making a successful issue out of it, too. The Republicans simply must quit talking about the Democrats, the latter say, or they—the Republicans—will forfeit their right to govern. And on the northeastern seaboard we hear editors chorusing the refrain; many of them purportedly Republican editors. I think some sort of mood must be gripping the country, at least the northeastern seaboard, akin to that of the flapperism of the 20's. Just plain craziness, in short.

Carlisle Bargeron

There is a purposeful propaganda behind it, but the effectiveness of it may be gauged by the number of Republican editors lending themselves to it.

Why anyone in this country should be shocked in this day and time at what the Republican politicians are saying after having been saturated with 20 years of Roosevelt and Truman demagoguery is more than I can understand. Roosevelt and his New Dealers set out deliberately to destroy the most influential and respected segments of our citizenry. Princes of Privilege, Economic Royalists, Money Changers! It is doubtful if so many political epithets have ever before been hurled or coined.

I was not living during the Civil War, of course, but I doubt seriously if there was more bitterness among Americans in those days than that which Roosevelt and his gang engendered. It was a class bitterness and I am convinced it will last longer than the sectional feeling caused by the Civil War. There was none of the chivalry about it that went with the war. It was something that permanently scarred men's souls.

What the Republicans are saying now won't stand a candlelight.

I am not criticizing the resourcefulness of the Democrats, or the multi-hued conglomeration that passes under the Democratic banner. I am simply expressing amazement that their stuff is being accepted in intelligent circles, that so many informed people in places of influence are subscribing to it and looking down their noses at the Republicans. The Republicans—they are damned if they do and damned if they don't. Only a few months ago they were being criticized for lack of aggressiveness. Now they are criticized for too much aggressiveness.

At the Presidential press conferences when there are so many important things which the reporters could ask the President about, the top story more often concerns his displeasure over the tactics the Republicans are pursuing. He has walked into the trap of a cunning questioner. Recently he was represented as having rebuked both his Attorney General and his Press Secretary. Whether he intended to do this I am sure I do not know. But he has certainly had enough experience by now to know how his answers to certain questions are going to be interpreted.

That his lofty attitude is disheartening to those who are charged with winning the Congressional campaigns this year goes without saying. The candidates and the managers of these campaigns unfortunately are not generals who led our armies so superbly to victory on the blood-soaked battlefields of Europe; they are not popular heroes. They have got to run in the field, less heroic, of practical politics.

Make no mistake about it, nothing to extreme can be said of those who governed this country during the period 1933-53. They deserve no sympathy. And they are showing, it seems to me, that they don't need any.

Oh, don't you think the term "traitor" is going too strong? There were traitors among them and entirely too much complacency towards traitors on the part of those who were by no means traitors themselves. The attitude of the New Dealers seemed to be and probably is still, to live and let live, so long as you are a member of the club.

Now, it is a fact that throughout the tragic years which this country has been through there was a group of Democrats that deserve as much credit for checking the excesses of the New Dealers as the Republicans, if not more. They were wholly out of sympathy with Roosevelt and Truman. They said so and they were made to suffer for their opposition.

But they aren't the ones whom the Republicans are talking about, they aren't the ones whom the Republicans are even campaigning against. They are, generally speaking, the Southern Democrats—men like Walter George and Harry Byrd. It was their coalition with the Taft Republicans, in fact, that has made it possible for us to still discern the broad outlines of the government which our Founding Fathers wrought.

R. J. Henderson With Neary, Purcell & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert J. Henderson has become associated with Neary, Purcell & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. Mr. Henderson was previously with Francis I. du Pont & Co. and Daniel Reeves & Co. and prior thereto was an officer of Edward J. Bourbeau & Co.

William Sills Forms Own Firm in Chicago

CHICAGO, Ill.—The formation of Sills & Company to negotiate the purchase and sale of business properties has been announced by Willian H. Sills, President. Mr. Sills has resigned from Sills, Fairman & Harris, Inc.

With Dempsey-Tegeler

ALTON, Ill.—William A. Abbett has joined the staff of Dempsey-Tegeler & Co.

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Business in 1954 Faces No More than a Readjustment

By J. ALBERT WOODS*
President, Commercial Solvents Corp.

Head of large chemical concern holds there is no ground for fear of serious recession, and business in 1954 can look forward to nothing more than a readjustment to a new set of conditions. Says we have every reason to face the future with confidence, and points to our great natural resources, our technical abilities, and our ingenuity in using new materials. Stresses importance of our rapid population growth.

1953 will be a year to remember. In those 12 months we produced the largest total national product in the history of any nation: $365 billion worth of goods and services. More than 60 million Americans were working. Unemployment was just about at the irreducible minimum: slightly over one and one-half million. Consumer spending was at an all-time high: over $230 billion. Farmers took in more than $32 billion, the builders grossed $36 billion, retailers totaled more than $170 billion, the output of our factories and mines exceeded pre-war levels by 228%, and corporate profits approached $20 billion after taxes. It was a healthy, prosperous year, during which the Korean War ended, our national defenses were materially strengthened, the government pay roll was reduced, and the promise of tax reductions took on aspects of reality.

J. Albert Woods

But that was yesterday. We are concerned now with a new year. We want to know how best to conduct our business lives in 1954.

That conditions will not be quite as good as in 1953 is a point of view common to specialists who study the trends of our economy. They say there will be some reduction in the gross national product this year. They expect the dollar volume of retail trade to decline. They promise that when 1954 ends an increase in unemployment may be recorded but the average hourly wage will have remained steady.

What seems to me to be of primary importance at this time are not these predictions, but the conclusions we may come to because of them.

Whenever men believe that the prospects for good fortune are on the wane, there will always be some who predict dire things. And, by the same token, there will always be a few who refuse to read the caution signs along the financial highway, preferring to hope wishfully that when the financial peaks are reached, unending plateaus will come into being at those levels.

But these are the few, not the many. I have sufficient faith in the total American business community to believe that 1954 will be judged for what it is: another healthy, prosperous, progressive period of high productivity with further benefit for most people and a still higher level in our national standard of living.

What we must guard against is coming to conclusions about any seeming declines in business which are more emotional than factual.

Rampart fear of a downward trend can be just as serious as if it actually occurred, if not more so.

The Outlook for 1954

What American business faces in 1954 is no more than an adjustment to a new set of conditions brought on by the cessation of Korean hostilities, reduced defense expenditures and postwar demand and supply becoming balanced in a number of business fields.

It has been said that this adjustment has been pending since the end of World War Two and is long overdue. Had it not been for the Korean situation we probably would have experienced it before now.

Be that as it may, there is good reason to believe that our economy will be on a sounder footing, and that American business will be better off, when the adjustment is completed.

Among the healthy conditions that this sort of adjustment brings is increased competition. The buyer and his money become a little harder to separate. I dare-say there is not a man among us —whether he is a manufacturer, a distributor, a retailer, or one who renders a service to any one of these—who fears competition. I am sure you agree with me that competition is the challenge of American business. The men who have answered that challenge since our nation was founded are the ones who have brought prosperity to the American economy.

We have every reason to face the future with confidence. There are two all-important forces for the continued growth of business in this country. The first is people, in ever expanding numbers. The second is scientific research which will provide our rapidly growing population, not merely with the necessities of life, but with the aids for everyday living which free men from endless toil to stay alive.

In the 1930's we heard predictions that our population would never exceed 160 million. Today there are 161 million Americans. It is estimated that by 1975 there will be more than 200 million Americans.

The great growth of America today is its children. Now, for the first time since the early part of this century, better educated, higher income Americans are raising big families. There were four million babies born in this country during 1953, and that was the year which topped all the record-breaking years since the end of World War II.

Through scientific research we are equipping ourselves, our children and our grandchildren, if you please, to care for themselves as well as to provide for the future. During 1952 alone, we Americans spent more than $3.750 billion, for research. Today, the total research and development efforts of industry and government are 15 times greater than in the pre-World War II period. These are basic facts which help to assure continued growth for industry and business in the years ahead.

There has been much talk about the skyrocketing proportion of our population over the age of 65. The truth is this: Through the advances of medical science and a higher standard of living, the number of our older people is increasing. Their percentage, however, as compared to those under 20 years of age, is decreasing. The results of recent government surveys show that by 1975 the percentage of these younger people will be 56% more than in 1940, and 24% more than today.

Our Natural Resources

And what of our natural resources? We hear so much about "wasting" or "exhausting" them. Yet there is nothing in recorded history to substantiate these ideas and there is much to discredit them.

Mr. Eugene Holman, a Texan and a geologist who is Board Chairman of the Standard Oil Company of New Jersey, tells us that each successive era in this history of man has led him to utilize raw materials he had never been able to use before. And long before he used up the resources for which his age was named, he moved on to new ones.

The speed with which man has moved through these various ages has accelerated fantastically as his knowledge and technical abilities grew. The Stone Age lasted several hundred thousand years; the Bronze Age for a relatively short 4,000 years. The Iron Age took 2,500 years and steel was first made in commercial quantities only 95 years ago. It is as though the stairway of advancement were composed of steps with progressively higher risers and narrower treads.

It is certainly not my purpose to make a case for wasting our natural resources. But I agree with Mr. Holman in this: Non-use of natural resources hobbles progress. As men use the natural resources they know how to use, their scientific knowledge grows, and with it their ability to find and use still other natural resources.

The metals we use most today, iron and aluminum, are second only to oxygen and silicon in their abundance on our planet. It is estimated that there is at least 5,000 times as much iron ore, bauxite and alunite in the earth's crust as the world uses annually. And already plastics are replacing steel in many manufactured items as man's scientific knowledge helps him to probe further into the future of this atomic age.

With a rapidly expanding population, far-sighted research, ample resources and a fine spiritual heritage upon which to build, there is every reason for us to face the future with confidence.

A Note of Caution

It does seem to me, however, that one note of caution must be sounded. Our nation is great because it is made up of free people. Individual liberty is all important. The basic requirement for progress is freedom. Without freedom no nation can endure, must less grow and prosper. The fate of American business must be left in the hands of the people. There is nothing further from the truth than the thought that a government, in manipulating its taxing powers, can make or break depressions, recessions and adjustments.

In the practice of democracy as we Americans know it, there are certain functions which can best be performed by government. We have entrusted our government with authority to levy taxes sufficient to carry out those functions: When the taxing authority is wielded beyond that point, the trust is abused and the worthwhile basic intent trampled underfoot.

This year of adjustment is a turning point in our economic pattern. The buying power of our people must not be siphoned off by exorbitant taxes. If the pattern of scientific and technical progress which American business and industry has evolved is to continue, the profits of our enterprise must not be taxed away. There must be sufficient funds for research, development, new production facilities and the opening of new markets.

If there is to be continued prosperity and a continued advancement of our superior standard of living, then the hands that hold the future of American business must be its own hands. Self determination of the paths that we follow is the American formula for successful living.

This is a nation of more than 80 million churchgoers who belong to more than 250 denominations. This is a land that has more schools, parks, playgrounds, libraries, art museums, theaters and symphony orchestras than any other country in the world. We have brought these things to pass because we are free. Such a people can and **must** be trusted with their own destiny.

*An address by Mr. Woods before the Rotary Club, Terre Haute, Ind., Feb. 16, 1954.

Municipal Bond Club To Hold Outing

The 21st annual outing of the Municipal Bond Club of New York will be held at the Westchester Country Club and Beach Club, Rye, N. Y. on Friday June 11, Thomas F. Adams, Adams, McEntee & Co., Inc., President of the club, announces. Myles G. Walsh, Blyth & Co., Inc., has been appointed general chairman of the outing and the following have been named as chairmen of the various committees to assist him: arrangements, George B. Gibbons, Jr., Geo. B. Gibbons & Company, Inc.; sports, Robert R. Krumm, W. H. Morton & Co., Incorporated; prizes, James M. Ransom, Harris Trust & Savings Bank; chairman's committee, David H. Callaway, Jr., First Michigan Corporation. Robert M. Goodman, National City Bank of New York, is treasurer of the finance committee.

One of the highlights of the Field Day will be the appearance of the "Daily Bond Crier," the humorous journal of activities in the municipal bond fraternity. Henry Grady Wells, Jr., Andrews & Wells, Inc., chairman of the "Bond Crier" committee, promises that the 1954 edition will be the "heartiest" of all issues to date.

Joins Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — William W. Wheeler III has joined the staff of Shearson, Hammill & Co., 520 South Grand Avenue. Mr. Wheeler was previously with Dean Witter & Co.

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BOSTON, Mass.—Palmer, Pollachi & Co. is engaging in a securities business from offices at 84 State Street.

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February 11, 1954

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Dealer-Broker Investment Recommendations & Literature

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

Banks—Comparative analysis of 63 representative banks as of Dec. 31, 1953—Painc, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

Corporate Bonds—Bulletin—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

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

Japanese Pulp Industry—Brief resume in weekly stock bulletin Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

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.

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.

* * * *

American Radiator & Standard Sanitary Corp. — Analysis — Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y. Also available is a detailed analysis of **General Shoe Corporation.**

Associates Investment Company — Annual Report for 1953 — Associates Investment Company, South Bend, Indiana.

Braniff Airways—Analysis—Ferris & Co., First National Bank Building, Dallas 1, Tex.

Brockton Taunton Gas Company — Progress report — J. G. White & Company, Incorporated, 37 Wall Street, New York 5, N. Y.

Canadian Superior Oil of California — Memorandum — Goodbody & Co., 115 Broadway, New York 6, N. Y.

Capitol Records, Inc.—Report—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y. Also available is an analysis of **Copeland Refrigeration Corporation.**

Central Public Utility Corporation — Report — Link, Gorman, Peck & Co., 208 South La Salle Street, Chicago 4, Ill.

Commercial Solvents Corporation — Analysis — Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available is an analysis of **Foremost Dairies, Inc.-Golden State Co., Ltd.**

Consolidated Freightways — Memorandum — Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif.

Fire Association of Philadelphia — Memorandum — McDonnell & Co., 120 Broadway, New York 5, N. Y.

Graham Paige Corporation—Analysis—Greene and Company, 37 Wall Street, New York 5, N. Y.

Kaiser Steel Corp. — Memorandum — Merrill, Turben & Co., Union Commerce Building, Cleveland 14, Ohio.

Lockheed Aircraft — Bulletin — Cohu & Co., 1 Wall Street, New York 5, N. Y.

Long Bell Lumber Co.—Memorandum—Estes & Co., 112 West 7th Street, Topeka, Kansas.

McIntyre Porcupine Mines, Ltd.—Analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a list of **"Special Purpose" Portfolios.** Available also is a memorandum on **Borg Warner.**

Mergenthaler Linotype — Memorandum — Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

National Homes Corp. — Memorandum — Kiser, Cohn & Shumaker, Circle Tower, Indianapolis 4, Ind.

New England Lime Company—Analysis—Dayton Haigney & Co., Inc., 75 Federal Street, Boston 10, Mass.

Pan American Sulphur — Analysis — Garrett and Company, Fidelity Union Life Building, Dallas 1, Texas.

Philadelphia & Reading Coal & Iron Co. — Analysis — Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

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.

Telecomputing Corp. — Analysis — Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

Texas Calgary Co.—Memorandum—Arthurs, Lestrange & Co., Frick Building, Pittsburgh 19, Pa.

Texas Gulf Producing — Memorandum — Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

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NSTA Notes

AD LIBBING

We are pleased to inform our members that James R. Duffy of Paine, Webber Jackson & Curtis, Boston, and Lewis P. Jacoby, Thayer, Baker & Co., Philadelphia, will represent the Boston Securities Traders Association and Investment Traders Association of Philadelphia respectively on the 1954 National Advertising Committee of the N. S. T. A.

James R. Duffy

John Hudson, Thayer, Baker & Co., Philadelphia, our National Secretary, has informed me that he has met with much enthusiasm regarding the 6% and 10% of the gross to go to affiliates on this year's contracts.

I hope to announce our complete Advertising Committee within the next few weeks and feel with an early start we should easily pass last year's results.

HAROLD B. SMITH, Chairman
National Advertising Committee
Pershing & Co.
120 Broadway, New York 5, N. Y.

BOND CLUB OF SYRACUSE

At the annual dinner meeting of the Bond Club of Syracuse, held at the Hotel Syracuse on Feb. 1, the following officers were elected for the coming year:

Karl B. Rollins

Francis Q. Coulter

Charles T. Heaton

Karl B. Rollins, K. B. Rollins & Co., President.

Pearne W. Billings, Cohu & Co., Vice-President.

Francis Q. Coulter, Marine Trust Co. of Western New York, Treasurer.

Charles T. Heaton, William N. Pope, Inc., Secretary.

The Board of Governors for the current year is composed of the following members:

Harry C. Copeland, Reynolds & Co.; John P. Miles, L. D. Sherman & Co.; LeRoy H. Schellenberg, William N. Pope, Inc.; Drew G. Eastman, Eastman & Co.; Alvin J. Grabau, Grabau-Bookman.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York, Inc. (STANY) Bowling League standing as of Feb. 11, 1954 is as follows:

Team:	Points
Manson (Capt.), Jacobs, Topol, Weissman, H. Frankel	13
Leone (Capt.), Nieman, Gannon, Tisch, Greenberg	11
Donadio (Capt.), Craig, Gronick, Bies, Demaye	9
Serlen (Capt.), Rogers, Gold, Krumholz, Gersten	8
Bean (Capt.), Bass, Valentine, Eiger, Bradley	8
Kaiser (Capt.), Hunt, Werkmeister, Swenson, Ghegan	7
Burian (Capt.), Gavin, Clemence, Montanye, Whiting	7
Growney (Capt.), Boggs, Siegel, Voccolli, Lienhardt	7
Krisam (Capt.), Pollack, Cohen, Smith, Strauss	7
Klein (Capt.), Fredericks, Murphy, Weseman, Huff	6
Meyer (Capt.), M. Meyer, Frankel, Wechsler, King	4½
Hunter (Capt.), Brown, Alexander, Farrell, Barker	2½

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With Hooker & Fay

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Benjamin C. Chapman has become associated with Hooker & Fay, 340 Pine Street, members of the New York and San Francisco Stock Exchanges. Mr. Chapman formerly conducted his own investment business in San Bruno.

C. F. Childs Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John J. Keating has been added to the staff of C. F. Childs and Company, 141 West Jackson Boulevard.

COMING EVENTS

In Investment Field

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.

June 11, 1954 (New York City)
Municipal Bond Club of New York 21st annual outing at Westchester Country Club and Beach Club, Rye, N. Y.

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.

Business Man's Bookshelf

Agriculture's Sacred Seventh—F. A. Harper—Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y. (paper), single copies free; quantity prices on request.

Art of Contrary Thinking, The—Humphrey B. Neill — Caxton Printers, Ltd., Caldwell, Idaho (paper), $1.00.

Customer Relations — Guide for retail store operator—New York State Department of Commerce, Madison Avenue, New York, N. Y., or 112 State Street, Albany 7, N. Y. (paper), no charge.

What Educational TV Offers You —Jack Mabley—Public Affairs Committee, 22 East 38th Street, New York 16, N. Y. (paper), 25c.

What Is Your Share of Our Federal and State Government Debt?—Clyde William Phelps—Commercial Credit Company, Baltimore 2, Md. (paper).

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Trust Investments During Transition Period

By MARCUS NADLER*
Professor of Finance, New York University

After pointing out investment policies of trust companies are based on judgments which involve analysis of current economic forces, Dr. Nadler discusses business outlook and money and credit conditions that influence interest rates and availability of investment outlets. Foresees a downward trend of interest rates, accompanied by smaller demand for capital by the private sector of the economy in 1954. Holds long range outlook for a higher level of business is good.

Introduction

Up to the outbreak of World War II, the primary concern of trustees was the preservation of capital and obtaining the current rate of return on prime investments. The problem of protecting the life tenant or the remainderman against depreciation of the purchasing power of the dollar and of seeking tax-free income was not of particular importance. To be sure, during the '30s and in the early years of the war the exceedingly low rate of interest obtainable on high grade bonds was of serious concern, and many trust officers endeavored to overcome this difficulty through the acquisition of high grade preferred and sound common stocks.

Marcus Nadler

At the end of the war the inflationary forces which were accumulating during the war but which were held in check through price and wage controls came to the fore. Commodity prices began to rise sharply with the result that in 1948 the purchasing power of the dollar was by 42% lower than in 1939. This of necessity caused a considerable change in the investment policies of trustees. Many of them realized that by merely preserving the *corpus* in in terms of dollars they did not completely fulfill their obligation as fiduciaries and that protection of the purchasing power of the trust fund was of great importance. Many states also recognized these basic developments and in some, as for example, in the State of New York, legislation was enacted to enable trustees to invest a certain percentage of the *corpus* in common stocks even where the trustor did not make such specific provision. As a result of these developments trust companies became more and more stock minded, and equities during the last few years played a growing role in their investment programs.

The Situation Today

Economic conditions in the United States today are entirely different from those which prevailed after the termination of World War II. The economic vacuum created by the war has been filled. The productive capacity of the country has risen to a point where it can meet all the present demands for national defense as well as the requirements of a growing population with a rising standard of living. The boom has come to an end, the sellers' market has given way to a buyers' market, competition is keen, and margins of profit are tending to decline.

The international political situation also has undergone a notable change. Whereas two or three years ago there was a real threat of war, this threat is rapidly receding and the danger of war has been minimized. This is partly due to the increased economic and military strength of the free world, notably of the United States, and partly to the inherent weakness and contradictions from which the Soviet Union and its satellites are suffering.

The dangers of inflation, too, have receded, and a period of relative stability in the purchasing power of the dollar has set in. While nobody can predict how long this present situation will last, experience of the past has shown that strong inflationary forces take root in the United States only as a result of a major war. Since such a catastrophe under present conditions is not to be expected and since the productive capacity of the country is great, indeed one may reach the conclusion that at least in the immediate future the protection of the purchasing power of the dollar in new trust investments need not play the same role as during the past few years.

Business Outlook

One of the prime problems confronting trust officers today is the impact that future business developments will have on the prices of equities and of bonds. This naturally involves an analysis of the outlook for business in general and of the money and capital markets in particular.

The economy of the United States at present is in the midst of a readjustment. Business activity has decreased, unemployment has increased and corporate profits in the third quarter of 1953 were somewhat lower than during the second quarter. A careful analysis, however, of the economic forces operating in the country leads to the conclusion that a sharp decline in business activity accompanied by large-scale unemployment is not in the making. This conclusion is based not so much on what measures the Federal Government may adopt to stimulate business activity but rather on the strength of the American economy, which is sound and growing. No abuses of any importance have occurred in any sphere of economic activity. The economic security of the people is wide-spread and greater than ever before in the history of the country. While private indebtedness, notably consumer credit and mortgage indebtedness, have increased considerably, they are not out of line with the growth of other economic indices such as disposable income and total savings of the people.

The increased growth in private indebtedness may indicate that the increased economic security of many individuals and families has played an important role in their willingness to mortgage their future income in order to meet present requirements. The dynamism of the American economy is based on the fact that the population is growing, the standard of living is rising, and billions of dollars are spent annually on research which leads to the production of new products and the creation of new wealth while at the same time undermining the value of some older products.

The present readjustment is not likely to last long nor be very serious in character. It will, however, be marked by increased competition which may become keener than ever before and by a reduction in the margins of profit. Management will play a more important role in the successful operation of a corporation than was the case during the last twelve years. From the above one may conclude that the long-range outlook for equities is favorable. However, it clearly indicates that selectivity in investment at present is more important than during the past decade. This is so because, as stated before, the American economy is dynamic, and such an economy creates new values while at the same time destroying old values. Just as the coming of the automobile undermined and ultimately destroyed the value of interurban transit securities which in their days were considered high grade in character, so new developments are in the making which may undermine the values of securities which today are considered as prime investments for trust funds. While these developments do not take place overnight, the speed of development today is greater by far than in the past; and this increases the responsibility of carefully selecting securities on the trust investment officer upon whose judgment the welfare of so many individuals depends.

In the selection of equities the trust investment officer under present conditions would be well advised to purchase those of companies which have not only good management but also whose products are well established and are not threatened by new products. The emphasis should be laid on those corporations which have demonstrated their ability to earn and to pay dividends in good as well as in bad times and whose activities will grow with the growth of the population and the rise in its standard of living.

The Bond Market

In the bond market, too, a considerable change has taken place during 1953. Whereas early in the year almost every trust fund showed depreciation in its high grade bond account and almost every trust officer was raising the question "what price safety?" the atmosphere today is entirely different. It has been fully realized that the rise in money rates which set in in the United States shortly after the war was not a long secular trend but rather a cyclical movement which temporarily interrupted the long downward trend of money rates. The increase in interest rates during 1952 and up to about the middle of 1953 was primarily the result of the great demand for capital on the part of the private sector of the economy and because, in spite of the fact that business activity was at a high level, the government, as a result of large defense expenditures, was forced to operate with a deficit. The rather sharp decline in prices of high grade bonds including governments in the early part of 1953 was further accentuated by the credit policies of the Reserve authorities and by the debt management policy of the Treasury. Once, however, the monetary authorities realized that the dangers of inflation had receded, that the peak of the boom had passed, and that business was at the beginning of a downward readjustment, their policies underwent a notable change and this was immediately reflected in prices of high grade bonds with the result that bond prices today are substantially higher than they were in the middle of the year.

The Outlook for Interest Rates

The secular trend of interest rates since the end of World War I has been downward, although on several occasions the downward trend was interrupted by short term cyclical swings. The upturn in interest rates in 1928-29 was the result of speculation in securities with bank credit, which pushed short term rates up and indirectly had a bearing on long term yields. From 1948 to the middle of 1953 money rates again witnessed a cyclical upswing, caused mainly by the huge demand for capital from the private sector of the economy and the fact that despite the high level of business activity that prevailed during 1950-52 the government, because of the huge military expenditures, was not able to balance its budget. The credit policies of the Reserve authorities as well as the debt management policy of the new Administration also contributed to the recent upward movement of interest rates. The short term cyclical swing came to an end around the middle of 1953, and the long term downward trend is again in evidence.

Causes for the Current Downswing

The principal forces now operating in the money and capital markets which contribute to the downswing in money rates may briefly be summarized as follows:

(1) Individual savings are very large. The liquid savings of individuals, consisting of cash on hand and deposits with commercial and savings banks and government obligations, which can be converted into cash at a moment's notice, increased from $148 billion at the end of 1945 to $213 billion in September, 1953.

(2) Contractual savings, which cannot readily be spent by the individual, are also large and steadily increasing. The total volume of life insurance in force increased from $156 billion at the end of 1945 to $304 billion at the end of 1953. Pension funds are rapidly growing and the funds invested by them are playing an increasingly important role in the capital market.

(3) The negative savings of individuals, i. e., the repayment of outstanding debt, is more important today than ever before, primarily because private indebtedness is so much larger.

These factors clearly indicate that funds at the disposal of institutional investors are bound to grow rapidly in the future. The United States is rapidly becoming a nation of middle-class people, which means the purchase of more life insurance and a growing field for trust companies. The number of estates left by individuals is bound to grow even though, because of the tax factor, the size of individual estates will decrease.

Corporate Savings

Not only are the savings of individuals large but corporate savings since the end of the year have also been substantial. American corporations have adopted a policy of paying out, on the average, less than half of their earnings in the form of dividends. The rest is retained and used for enlargement and modernization of equipment or for increasing working capital. Depreciation is also

Continued on page 16

*An address by Dr. Nadler before the 35th Mid-Winter Trust Conference of the Trust Division of the American Bankers Association, New York City, Feb. 9, 1954.

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February 18, 1954

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LETTER TO THE EDITOR:

Opposes Raising Gold Price

Frederick G. Shull, Connecticut State Chairman of the Gold Standard League, says proposal of Donald H. McLaughlin, President of Homestake Mining Co., that official price of gold be raised to $70 an ounce would mean devaluating the dollar by 50%, and thus constitutes a departure from the "sound money" principle.

Editor, Commercial and Financial Chronicle:

Your issue of Feb. 4 carries an article by Mr. Donald H. McLaughlin, President of Homestake Mining Company, in which he repeats a claim he made in your issue of Aug. 20, 1953, namely, that the official price of gold should be raised to $70 an ounce. That, of course, is merely another way of saying that the American dollar should be "devaluated" by 50%.

Frederick G. Shull

One wonders where Mr. McLaughlin could possibly have dug up such a radical theory as to what constitutes "sound" money. He surely cannot claim that tampering with the "value" of our currency coincides with opinions held by the outstanding monetary experts of the past 200 years, such men as: Adam Smith; Alexander Hamilton; John Sherman; Andrew D. White; Edwin W. Kemmerer; Andrew W. Mellon; and today's number one authority, Dr. Walter E. Spahr of New York University. Here are some of the views held by those competent authorities:

In his "Wealth of Nations," page 589, Adam Smith makes this profound statement: "The raising of the denomination of the coin has been the most usual expedient by which a real public bankruptcy has been disguised under the appearance of a pretended payment." Now it so happens that you can't raise the official price of gold in terms of American dollars without its automatically "raising the denomination of our coin." Is Mr. McLaughlin prepared to recommend to the U. S. Government that it adopt that "expedient" and thereby "disguise a real public bankruptcy under the appearance of a pretended payment?"

Alexander Hamilton knew that "honesty" demands that the "value" of our currency must be held to a definite weight of gold and/or silver per unit of currency in order to make that currency "sound"; and, under his leadership, the Dollar was given a "value" of 24.75 grains of pure gold, back in 1792 — which was never tampered with until the New Deal took over in 1933, excepting for a minor change of the gold content of the dollar from 24.75 to 23.22 grains of gold, in the 1830's, in order to make the gold-silver inter-relationship 16-to-1 instead of the original 15-to-1; and that had the effect of raising the official price of gold from $19.39 to $20.67 an ounce—which latter price was held, unchanged, until the New Deal debauched the American dollar in 1933. Furthermore, it is interesting to state in this connection that the "value" of the Dollar in terms of silver, set by Hamilton and his co-workers in 1792, has never been changed to this day—it is still 412.5 grains of silver 0.9 fine.

When John Sherman and Andrew D. White promoted the restoration of the Dollar to "redeemability" in gold, on demand, in the 1870's, following the "Greenback" era of Civil War days, they didn't undertake to tamper with the "value" of the Dollar by "raising the denomination of the coin" — they, quite properly, adhered to an official price "value" of the Dollar at $20.67 an ounce of gold.

The late Professor Kemmerer, in all of his writings and speeches, likewise, supported the theory that the $20.67 price should never have been changed; but he further maintained that after it had actually been changed to $35 an ounce, that "value," at all costs, should be adhered to. And Andrew W. Mellon, in his book, "Taxation: The People's Business," published in 1924, makes this statement: "Insofar as this government is concerned, its policy has been to keep its own house in order, to maintain the **gold standard** (my underscoring) unimpaired, to balance its budget and to carry out a reasonable program for the orderly funding and gradual liquidation of the war debt."

In the light of such unanimous opinion by those eminent men who directed our monetary policies prior to 1933—all of whom subscribed to the principle that once the "value" of our currency has been set it should be firmly maintained—let us hope that the public will veto claims by selfish gold producers that we should again "devaluate" the Dollar in order that they may receive a higher dollar-price for their product.

FREDERICK G. SHULL

2009 Chapel Street,
New Haven 15, Conn.
Feb. 13, 1954.

How to Write a Perfect Forecast

Facetious as we Americans like to be on occasion, there is more truth than fiction in the following witticisms written the latter part of last year by Herbert A. Leggett a Vice-President of the Valley National Bank of Phoenix, Ariz., the largest bank in the Rocky Mountain region of which Walter R. Bimson is Chairman and Carl A. Bimson is President.

Mr. Leggett's Forecast

"The first blizzard of the winter is as nothing compared to the deluge of annual forecasts due any day now. Economic forecasting has always been a fanciful blend of wishful thinking, whistling in the dark and hope springing eternal. Although composed largely of mumbo-jumbo and non-sequiturs, it is taken very seriously by all concerned. . . .

"The trick in forecasting is to say absolutely nothing—in several thousand well chosen words. Lead off with a heavy barrage of statistics. This will confuse everyone, including yourself. But never use round figures, if the national debt is $274,658,923.17, be sure to say so. . . .

"Avoid loose predictions like saying business will be up 10% or down 5%. That indicates basic uncertainty. Be precise—if it can't be checked. Specify that business will rise 7.32% next year unless something happens (something always does). This provides an out, no matter what.

"Don't overdo your optimism. A disillusioned bankrupt may save the forecast and throw it in your face someday. On the other hand, there is an unwritten law against being pessimistic. No one wants to be a killjoy and, besides, real estate salesmen can be pretty nasty if you queer a deal for them. The best thing is to be strictly ambiguous, like Nostradamus. It is good clean fun, and quite simple, once you get the hang of it."

S. F. Exchange Member

Ronald E. Kaehler, President of the San Francisco Stock Exchange, announces the election of Mr. Leo B. Babich to membership in the Exchange, effective Feb. 12, 1954. Mr. Babich, an officer, director and voting stockholder of Hill Richards & Co., acquired the membership by transfer from Mr. Murray Ward of that corporation.

Reynolds & Co. Add

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—Lewis W. Hood is with Reynolds & Co., 919 Tenth Street.

With Oscar F. Kraft

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—C. Stanley Brittin is now with Oscar F. Kraft & Co., 530 West Sixth St.

SANTA FE WESTERN
GAS & OIL CORP.
(A Delaware Corporation)

299,925 Shares Common Stock
(Par Value 1¢ Per Share)

Price $1.00 per share

The business of the Corporation will be to acquire, explore and develop oil and gas properties. Present properties of the Corporation are located in the San Juan Basin, New Mexico; Sandoval County, New Mexico; and in Rooks County, Kansas.

A copy of the Offering Circular covering the above issue may be obtained from:

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Please send me a copy of the above Offering Circular.
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Connecticut Brevities

G. F. Heublein has purchased Anderson Foods, Inc., of Santa Barbara, Calif., primarily a producer of split pea soup. The purchase is part of Heublein's over-all expansion program in selected food products. Anderson will continue to operate under the same management and at its present location.

* * *

Curtis 1000, Inc. manufacturers of envelopes, has announced plans to erect a 42,000 square foot single story building, at an estimated cost of $500,000. The new plant will be located in West Hartford.

* * *

The Allen Manufacturing Company, makers of socket head screws, has recently purchased from **The Hartford Times**, publisher of the state's largest newspaper, a tract of 28 acres in Bloomfield. Allen announced that it has no present plans to build and that it probably will be several years before the new property will be used.

* * *

The Hartford Electric Steel Company, has acquired control of the Ductile Iron Foundry, Inc. of Stratford. The latter's 10-ton daily production of light to medium weight iron castings will be expanded and new annealing furnaces, cleaning and inspection facilities and control devices will be added.

* * *

The Allen D. Cardwell Manufacturing Corporation, member of the electronics industry, has been purchased by Chesapeake Industries, New York. Operations at Cardwell will be expanded and the employment level of 330 persons is expected to be increased by 50% within the next 18 months. Chesapeake has also acquired Grenby Manufacturing Company, which formerly controlled Cardwell.

* * *

The Verplex Company whose main plant is in Essex will soon open a factory at Pasadena, Calif., which will operate as the firm's western division. The company produces lamps and lampshades.

* * *

The Bullard Company, Bridgeport, producers of large machine tools, has embarked on a $2,000,000 expansion program. About 60,000 square feet of new plant and office space will be added and some $1 million will be invested in new equipment.

* * *

The annual report of **Aetna Life Insurance Company** shows that the total premium income, including affiliated companies, increased 14.7% to $676,688,969. Total life insurance in force increased to $13,362,000,000 of which $10,226,000,000 is group life. The total surplus of the stock department of the parent company increased by $9,590,986, even after deduction of $10,000,000 which was added to capital at the time of the payment of the 50% stock dividend.

* * *

The stockholders of **Hartford Fire Insurance Company** will vote at their annual meeting of Feb. 25, 1954 on a capital increase which will enable the directors to declare a stock dividend of one addtional share for each four shares held of record March 26. The stock dividend would be payable April 23.

* * *

Stockholders of **Connecticut General Life Insurance Company** will vote on Feb. 23, 1954 on proposals to accept the charter changes passed by the State Legislature in 1953. These changes provide for an increase in the authorized capital stock from the present $20,000,000 to $50,000,000 and permit the company to move its office from Hartford to another Connecticut town. The company has purchased land in Bloomfield and has indicated that a new office building is under consideration.

Cyril L. Cole Joins Staff of Stolle, Baker

Cyril L. Cole

(Special to THE FINANCIAL CHRONICLE)

PALM SPRINGS, Calif.—Cyril L. Cole has become associated with Stolle, Baker & Co., Inc., 174 North Palm Canyon Drive. Mr. Cole was formerly with Garrett-Bromfield & Co. and John G. Perry & Co. in Denver.

Two With Stern Frank

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Sam Raber and Emil J. Rothenberg have become associated with Stern, Frank, Meyer & Fox, 325 West Eighth Street, members of the New York Stock Exchange.

With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Allison B. Hamilton is now connected with Dean Witter & Co., 632 South Spring Street. He was formerly with Francis I. du Pont & Co.

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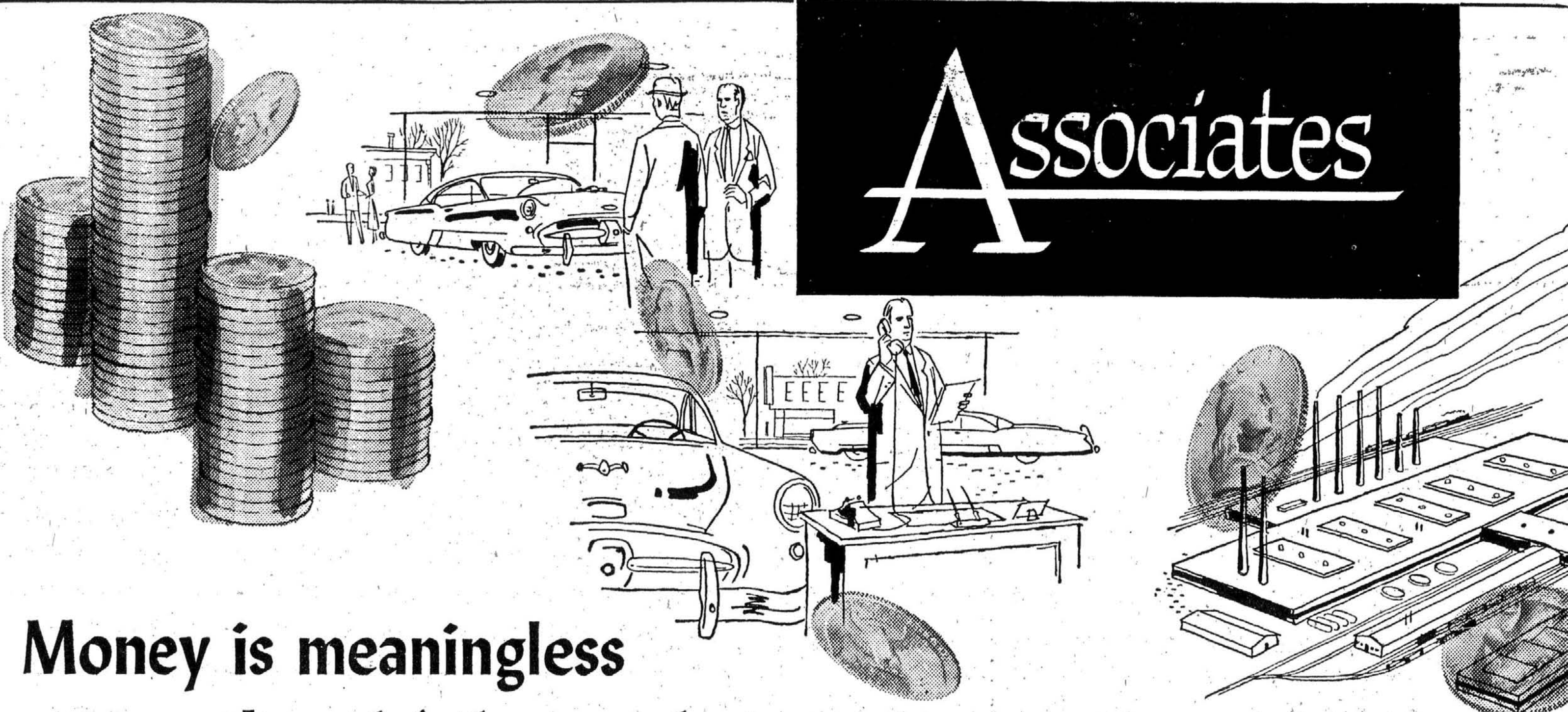

Money is meaningless ...unless it's in motion

Money in motion is money at work. The coins and dollar bills you handle every day have little or no worth in themselves. They have real value only as a medium of exchange for goods and services. A major force in keeping money in motion as a medium of exchange is consumer credit, or retail installment financing.

Consumer credit's service in raising this nation's living standards is immeasurable. It has placed the products of America within the financial reach of the men and women who make those products. You can see why Associates Investment Company takes pride in being one of America's leading providers of consumer credit—one of the world's four largest automotive time sales financing institutions.

Thousands of automobile dealers of the nation use Associates' service as an aid to selling, and still more thousands of buyers take advantage of Associates' retail installment financing to acquire ownership of automobiles and trucks. Dealers keep Associates dollars at work in yet another way, through the wholesale financing of their new car inventories and advances on their used car stocks. And beyond the multi-million dollars at work in the automotive field, further millions are poured into the economic stream through personal installment loans at the home town Main Street level and through commercial loans to business and industry.

It's all money that flows, moves, functions—money with meaning. And Associates is proud to be a part of an industry that performs a major service in helping to keep this nation's economy flowing, moving, functioning.

ROBERT L. OARE, *Chairman of the Board*

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	Dec. 31, 1953	Dec. 31, 1952
Cash and Marketable Securities	$ 66,684,776	$ 68,638,560
Receivables:		
Retail motor vehicle installment receivables	$434,574,458	$372,957,016
Wholesale motor vehicle short-term loans	44,610,537	46,860,479
Direct and personal installment loans	38,227,746	34,373,278
Commercial and other receivables	35,043,194	28,696,977
	$552,455,935	$482,887,750
Less: Unearned discounts	32,482,543	28,733,293
Reserve for losses	11,890,358	10,392,105
Total receivables, net	$508,083,034	$443,762,352
Other Assets	6,668,544	4,877,945
	$581,436,354	$517,278,857

LIABILITIES	Dec. 31, 1953	Dec. 31, 1952
Notes Payable, short-term	$285,592,300	$289,798,400
Term Notes Due Within One Year	11,700,000	——
Common Stock Dividend payable January 4, 1954	1,406,462	——
Accounts Payable, Accruals and Reserves	33,192,386	29,234,615
Unearned Insurance Premiums	25,970,185	24,453,479
Long-Term Notes	109,455,000	65,005,000
Subordinated Long-Term Notes	35,000,000	37,500,000
Preferred Stock	9,700,000	9,800,000
Common Stock	31,254,720	10,418,240
Surplus	38,165,301	51,069,123
	$581,436,354	$517,278,857

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Year Ended Dec. 31, 1953	Year Ended Dec. 31, 1952
Discount, interest, premiums and other income	$ 91,014,968	$ 80,535,187
Operating expenses	62,360,906	55,622,724
Net income before Federal income tax	$ 28,654,062	$ 24,912,463
Provision for Federal income tax	15,150,000	13,175,000
Net income	$ 13,504,062	$ 11,737,463
Consolidated net earnings per share of common stock after payment of preferred dividends	$4.19	$3.62*

**Adjusted for 3-for-1 stock split effective March 27, 1953*

Associates Investment Company

Associates Discount Corporation

Emmco Insurance Company

South Bend, Indiana

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Railroads Shackled by Outmoded Regulation

By WILLIAM WHITE*
President, New York Central System

Asserting fair play in national transportation policy is "much quoted but little implemented," New York Central executive says railroads are put in an obstacle race in which they are shackled by outmoded regulations and subsidies granted competitors. Points out, despite disadvantages, the railroads in postwar period have invested nearly $9 billion in capital improvements; thus showing "a faith in the future." Recommends as means of assisting rail progress: (1) quicker action on rate adjustments; (2) let the railroads alone judge the effect of their pricing policies; (3) repeal of the long-and-short haul clause; (4) relief from state interference with passenger train scheduling, and (5) repeal of transportation excise taxes.

The past few months have seen enough predictions, counter predictions, maledictions and contradictions to make our heads whirl. For the man in business, of course, the net result is that he has to weigh the evidence, make up his own mind and form his own decisions — and, incidentally, make his own mistakes. That's the way it should be in a free economy. That's one of the things that makes the economy free.

William White

Actually, when you sift all the different views, the most important thing that emerges is not a prediction at all, but a fact. A fact which pretty much squares with your own private observation—namely, that this country is still going forward and that whatever your individual timetable for readjustment may be, the continuing route of the future is one of progress.

This is a very important fact. It means that even as we progress we must prepare for further progress. And this is an obligation that falls with particular weight on traffic and transportation people, because we are dealing in something that is basic to all economic progress—efficient and economical transportation of goods and people.

What the Railroads Have Done

As traffic and transportation men, one of our most important problems is planning to meet the transportation needs of the future. Speaking for the railroads, I can tell you that your problem is our problem. Like you, we have been busy working on it. And here are some of the things we've done.

In the last eight years the railroads of the United States have invested nearly $9 billion in capital improvements for Diesel locomotives, passenger cars, freight cars, modern yards, shops and stations, improved signalling, and many other betterments throughout the whole gamut of railroad operations that result in better service to the public with increased efficiency.

All of this huge outlay represents additions and betterments to the railroad plant. It does not include the even greater expenditures of the railroads for upkeep of equipment, track and other property.

The size of the railroad investment in postwar progress looms even larger when you realize that it represents a sum 80% greater that the total net income of the railroads during the eight years when the investment was being made.

But the truly staggering portions of the $9 billion outlay take shape only when we understand the handicaps under which it was made, and the faith which it required. Envision, if you will, this picture: an industry with a long history of substandard earnings, unable to raise money in any substantial sum by the issuance of stocks or bonds; an industry whose profit-making potential is hemmed in by a wall of outmoded governmental regulation; whose competitors enjoy not only less restrictive regulation but, in many cases, direct or indirect financial aid from government and from the expenditure of public monies.

Briefly sketched, that was the situation of the railroads at the begining of the postwar era. It wasn't an altogether encouraging outlook and sometimes it has seemed to grow less encouraging. Regulatory red tape has delayed needed rate adjustments. Governmental harassment included a couple of big but baseless antitrust prosecutions. Then the Department of Justice threw in a $3 billion haggle, also without substance, over wartime freight charges, which, as this audience knows, were lower than paid by commercial shippers.

Nevertheless, the railroads went ahead with their improvement programs which both the expanding economy, the preparedness needs of the nation and the need for increased efficiency demanded. They built their properties into the best physical condition in their history. What the railroads have done since World War II, with the cards of outmoded regulation and subsidy stacked against them, stands as a monumental act of faith. Faith in America's economic future, yes, but especially faith that the artificial obstacles in the path of railroad prosperity would be removed.

To make their act of faith, the railroads used a large part of their working capital, pledged their credit, mortgaged their future revenues and taxed the patience of their long-suffering shareowners. And they did it entirely in the spirit and with the methods of free enterprise. At no time was there any thought of asking or accepting government subsidy.

And now the question may well be asked: has the act of faith paid off? It has in many ways. There has been a payoff for the public in the greater efficiency which has resulted from our huge improvement programs. By enabling us to hold down increasing costs in spite of the spiral of wage rates and material prices, modernization has kept railroad rates on a level well below that of general postwar price increases.

Without getting mired in statistics, a brief comparison will serve to spell out some truly remarkable progress. The last year for which complete figures are available is 1952. Because of the war years and the depression in the '30s and also because I want to emphasize a long-term trend, I want to compare for you averages of the five year period 1926-1930 with the year 1952. In 1952 the railroads originated 8% more tons of freight than the annual average of the 1926-1930 period. The average length of haul was greater, so that net ton miles in 1952 showed a 44% increase over that period. However, by using cars of greater capacity, and with shippers cooperating in loading cars heavier, the railroads handled the 8% greater tonnage while loading 25% fewer cars. Getting 80% more work out of each car per day, increasing their train speed 30% and their net train load 65%, they increased their ton miles per freight train hour 125%.

In passenger service, comparing the same periods, the railroads handled over 7% more passenger miles in 1952 than in the 1926-1930 period, but with 39% fewer train miles. This, of course, reflects progress (which is essential for us to continue) in eliminating unprofitable passenger train miles and improving the standards of service where passenger service is profitable or can be made so.

Much, I concede, remains to be done with the basic problem of passenger service deficits, in which you are vitally interested and with which we are struggling.

Postwar Capital Expenditures

The railroad postwar capital improvement program has made business history. Its undertaking constituted, as I have said, an act of faith. In part that faith still remains to be vindicated. For the serious handicaps of outmoded regulation and unequal competitive opportunities which beset the railroads eight years ago are, for the most part, still with us. The declared national transportation policy of fair play remains principally a high-sounding motto—much quoted but little implemented.

As a result, the account I have given you of railroad improvements and railroad progress, impressive though it may be, tells an incomplete story. It may well be that what it leaves out is even more important than what it concludes. I have listed only what the railroads have done. I have not listed the additional things which they could have done, and would have done if their hopeful expectations had been realized and fair play in transportation had been enacted into reality instead of remaining only a pious declaration.

Fair play would eliminate the unreasonable delay which attends general freight rate adjustments. It would restore to railroad management the right to exercise more of its own business judgment. It would recognize that users of transportation facilities built with public monies must pay their fair share of the cost of using those facilities for commercial purposes.

Had these rules of fair play been in effect during the past eight years, or any considerable portion of that time, I can assure you that railroad improvements carried out to give better service to you and our other customers would have been much more than $9 billion.

You have seen the job the railroads have done with handcuffs on. If you will help us get the handcuffs off, we will be able to do an even better job. On the basis of your own interest in getting the best possible transportation at the lowest possible cost, we ask your support in our efforts to get rid of the shackles.

By taking off the handcuffs we don't mean wiping regulation of railroads off the statute books. It is important that this be clearly understood, because some people who are opposed to any lessening of governmental regulation try to make it appear we want to do away with all regulation. We don't. We accept the principle of sensible regulation for public service industries. What we object to is outmoded regulation and over-regulation, and that which regulates merely for the sake of regulating and goes beyond regulation in the public interest.

Proposed Remedies

As remedies, here is what we ask:

(1) Quicker action on rate adjustments, including elimination of the time lag that has denied the railroads the freedom that most of you businessmen have in adjusting your prices quickly to meet substantially increased costs. What we seek will not lessen the authority of the Interstate Commerce Commission over our rates; it would merely speed up the process.

(2) We ask that the carriers, not the Interstate Commerce Commission, be allowed to worry about the effect of rates upon the volume of business. We say that regulation should be concerned with whether rates are reasonable or non-discriminatory, but that their ability to attract traffic in volume should be the responsibility of railroad management, just like other American businessmen have to assume the responsibility for their pricing policies.

(3) The railroads seek relief from the restrictive long-and-short haul clause in the Interstate Commerce Act. This clause does not apply to motor carriers and puts the railroads at a serious disadvantage in competing for business. We don't want the long-and-short haul restriction imposed upon our highway competitors. The railroads ask only that they be given equal freedom.

(4) The Interstate Commerce Commission (not the State Commissions) is responsible as a regulatory agency for the financial well-being of the railroads. One of the things that adversely affects financial health is deficits from passenger service operations. The railroads think, therefore, that when they can make a showing that continued operation of certain trains is possible only at a continuing financial loss, and State Commissions either give adverse decisions or take no action within reasonable time, that the railroads should then have the right of appeal to the Interstate Commerce Commission and that that agency should have final jurisdiction.

(5) Along with you, we seek repeal of the transportation excise taxes. We recognize the need of the government for revenues, but the tax on freight transportation is a regressive tax, even though it is only 3%, because it applies on every transportation movement from raw material to finished product in the hands of the consumer. The 15% tax on passenger transportation is not a regressive tax; it is punitive. It was set at 15% with the avowed purpose of discouraging civilian travel during World War II. The war has been over almost nine years and still our customers are paying a 15% tax on all forms of common carrier travel. Here is a matter in which all forms of transportation can join in an effort to have the passenger tax eliminated, or at least reduced to a level no higher than that on freight transportation.

Many of you have heard about these things many times. Many of you are advocates with us and we appreciate the aid which you have given and trust that you will lend you aid until correction is had. Because we think it is in the public interest to modernize our regulatory statutes and procedures, we think that regulation, like the Constitution of the United States, should be a living thing, adaptable to change with changing times.

Regaining Traffic Through Competitive Pricing

Within the limits presently allowed us, we are right now taking steps to regain traffic through competitive pricing. Where railroads have the inherent advantage of efficiency, we intend to price as much business as possible back on to the rails. As you who are here tonight know so well, this is an age of fierce competition in the transportation field. We think that competition should have full sway, and what the railroads are seeking is only freedom to compete and fair conditions under which to compete.

The conditions of competition are not fair so long as some forms of transportation enjoy use of government-built facilities without paying a fair and adequate charge for their use. Our contention—which no one yet has called unfair or unreasonable — is that the users of whatever form of transportation they elect to use shoud pay the full cost thereof, including a fair share of the cost of facilities built with public monies.

I mentioned earlier that there are those who would misrepresent our efforts by pretending that we seek to have all regulation of the railroads abolished. That is sheer nonsense, and equally absurd are contentions that the railroads are trying to put competing forms of transportation out of business. We are not so naive.

The railroads want only fair rules and fair play. Everybody agrees that the railroads are the backbone of transportation in this country and that they are necessary. If we succeed then in making stronger, healthier railroads, the public interest is served, and, as Secretary of Commerce Weeks so aptly stated: "There are ways of getting good service out of the strong; no one can get it out of the weak."

About "Piggy-Back" Service

A word about piggy-back. It is important to keep in perspective the potential place of piggy-back in the over-all railroad picture. Piggy-back isn't a revolution, nor a panacea. Rather it's a specialized service which must offer advantages both for users and for railroads in order to be successful.

As many of you know, the railroad I represent has opened the door for cooperation with motor carriers in developing piggy-back service. There seems to be demand for it and we approach it purely on an economic basis. If there are enough motor carriers who can use that service, at a price which will be advantageous to the user, and which will earn a fair measure of profit for the railroad, we will provide the service. We have a selfish interest in piggy-back service, just like we do in competitive pricing, namely, an endeavor to increase the volume of traffic moving by railroad. That is not only a legitimate goal, but it is a responsibility of railroad management.

And now I would conclude. I direct your attention again to that period of decision for the railroads after the end of World War II. The alternatives they faced then were: "Put up or fold up." Fortunately for the cause of private enterprise, the railroads "put up." They put up to the tune of nearly $9 billion of improvement and expansion. They did this in spite of a climate that was cloudy with outmoded regulation and competitive subsidy.

Having accepted that challenge, the railroads now ask to be presented with another. They ask to be "called" on their claim that the job they've done in an obstacle race is only a sample of what they will be able to do if the obstacles are removed.

*An address by Mr. White before the Traffic Club of Chicago, Chicago, Ill., Feb. 11, 1954.

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Reflections on the Guaranteed Annual Wage

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

Dr. Slichter discusses meaning and history of a guaranteed annual wage plan, and lays down as conditions that will make it practicable: (1) the employer must have control of the number of jobs in his plant, and to some extent eliminate cyclical unemployment; and (2) that the liability of employers be limited to the amount of reserves accumulated to implement the wage plan. Points out under what conditions widespread adoption of the guaranteed wage system will and will not stabilize prices, and analyzes labor unions' proposals to have employers supplement unemployment benefits. Concludes a better plan would be to liberalize state unemployment compensation schemes.

I

Meaning of Term

The traditional meaning of the guaranteed annual wage is that the employees covered by the guarantee will be given a minimum amount of employment or a minimum income for at least a year in advance. As a matter of fact, the principal so-called guaranteed annual wage plans are guarantees of employment, rather than guarantees of a specific income, and they should be called employment guarantees rather than wage guarantees.

Sumner H. Slichter

The guarantees may or may not apply to all employees, and they may or may not be subject to termination on short notice. Indeed, most of the plans are limited in their application and are terminable on short notice. Thus, one encounters the paradox of so-called "guarantees" of employment or income for twelve months terminable at the will of the guarantor at any time. The guarantee may or may not be backed with reserve funds accumulated for the purpose, and the employer's liability may or may not be limited to the amount in the reserve fund.

In recent years the term "guaranteed annual wage" has been uncritically applied to a very different type of plan—a plan under which the employer would pay supplementary benefits to those of his workers who were drawing unemployment compensation benefits under state unemploymen compensation schemes. It is obviously misleading to apply the term "guaranteed annual wage" to plans which merely supplement unemployment compensation, and I think that the practice should cease. I shall discuss both guaranteed annual employment or wage plans of the traditional sort and plans to supplement unemployment compensation, but I will call the latter types of plans what they really are, namely, supplementary unemployment compensation schemes.

There has never been a sustained movement among trade unions to obtain guarantees of employment or income on an annual basis, and no such movement exists today. The best-known guaranteed annual employment or wage plans, the Procter & Gamble plan, the Hormel plan, and the Nunn-Bush plan, were all initiated by employers. During the last several years, however, there has been some growth of interest in so-called guaranteed annual wage plans by the leaders of a few unions—the steel workers, the automobile workers, the electrical workers (CIO), the packinghouse workers, the maritime workers, some locals of the teamsters' union, and a few other unions. There is no evidence of a widespread desire among the rank and file that the annual wage demand be pressed in preference to other possible demands. If unemployment becomes fairly serious, a strong rank and file demand for supplementary unemployment compensation benefits may arise.

My remarks will be divided into two parts. First, I wish to discuss some of the economic issues raised by guarantee plans of the traditional sort. Second, I wish to examine issues raised by recent proposals for unemployment compensation.

II

Let us consider first the practicableness of the guaranteed annual wage in the traditional or strict meaning of the phrase—that is, the guarantee of some minimum amount of employment or income for a period of a year. Since the principal traditional annual guarantee plans were not backed by reserve funds, I shall assume in the first instance that no reserve is provided.

No employer can afford to pay for much labor that is not performed or that is not worth to him about what he pays for it. Hence, a guaranteed annual wage of the traditional type presupposes either (1) that the employer can control in considerable measure the number of jobs in his plant, or (2) that the adoption of the guaranteed annual wage on a fairly wide scale will so stabilize the total volume of employment and so limit the amount of unemployment that no large payments in lieu of work or for work of little value will be necessary.

Let us examine the two conditions that must be met for annual guarantees of the traditional sort to be practicable. The first condition is that the employer can control in considerable measure the number of jobs in his plant. This is true of many successful enterprises in non-cyclical industries. The enterprise must be a successful one—not one of the marginal concerns that has trouble getting business and that is the first to feel any drop in demand and one of the last to feel a pickup in demand. I believe that a few employers can control to a moderate extent the volume of cyclical unemployment in their enterprises. I shall have something to say about this later on.

If the employer has little control over the number of jobs in his plant, the practicability of guarantee plans of the traditional type depends upon whether the widespread adoption of the guaranteed annual wage will stabilize the volume of employment in the community. Proponents of guaranteed annual employment or wage plans who argue that fairly extensive adoption of the plans would itself stabilize the volume of employment do not compute how wide an adoption of the guaranteed annual wage would be necessary in order to produce a significant stabilizing effect on employment.

The view that widespread adoption of the guaranteed annual wage would tend to stabilize employment is correct under some conditions and incorrect under other conditions. The two conditions that would need to be met for widespread adoption of the guaranteed annual wage to stabilize employment are (1) that employers accumulate reserves to meet their liabilities for wage payments under the plan of the guaranteed annual wage, and (2) that the liability of employers be limited to the amount in the reserves or some small additional amount. If reserves were not accumulated in advance, even a small drop in employment would impair the liquidity of some employers and cause them to cut non-payroll expenditures, thus producing layoffs in other plants which, in the absence of reserves, would find their liquidity seriously reduced and would also cut their non-payroll expenditures. Furthermore, in the absence of a limit on the employer's liability, any dip in employment would seriously impair the credit of the weakest firms. These firms would be pressed to pay their debts to banks and suppliers, and would be forced to cut their postponable non-payroll expenditures (outlays for replacements for inventories and equipment and for various contractual services) to a minimum. Hence, the widespread adoption of the guaranteed annual wage of the traditional type without the accumulation of reserves and without limiting the employer's liability would dangerously aggravate the severity of depressions.

Quite different would be the effect of widespread adoption of the traditional guaranteed annual wage plan provided reserves were accumulated and the liability of employers was limited to the amount in the reserve funds. Widespread adoption of plans of this sort would result in the accumulation of reserves in most enterprises during periods of expanding employment and a reduction in reserves during recessions. Personal incomes would be better sustained in periods of dropping employment, and the net effect would be stabilizing.

It is sometimes suggested that guaranteed annual wage plans which provide for the accumulation of reserves would limit the tendency of prices to rise in periods of expansion. This result is said to follow from the tendency of guaranteed annual wage plans to increase the proportion of incomes saved in periods of expansion. Whether or not the ratio of savings to incomes were increased would depend upon circumstances.

If only a few enterprises had adopted a guaranteed annual wage plan, the cost would not be passed on in the form of higher prices, and the payments into the reserve funds would come out of income that would otherwise have been reinvested in the business or paid out in dividends. All of this would mean that the form of saving would be changed, but not the amount. If the guaranteed annual wage were adopted by all or nearly all of the firms in an industry, the cost of contributions to the reserves would soon be passed on in the form of either higher prices or a slower rise in money wages. Hence, the proportion of incomes saved during periods of boom would be raised, the financing of investment would be accomplished more out of savings and less out of credit, and thus the tendency for prices to rise would be limited.

III

The most important current union proposals for a so-called guaranteed annual wage, as I have pointed out, take the form of supplements to unemployment compensation. The union proposals have not been spelled out in detail. The proposal of the automobile workers involves the following principal points: (1) supplements to unemployment compensation would be financed partly on a pay-as-you-go basis and partly by the accumulation of reserves; (2) employers would contribute a given amount per payroll hour (or possibly a given percentage of payrolls) to a reserve fund; (3) benefit payments would be paid to laid-off employees (or part-time employees) in supplementation of unemployment compensation benefits; (4) the employer's liability would be limited, presumably to the amount in the reserve fund plus the obligation to contribute a given minimum per hour worked; (5) joint machinery for administering the plan (determining questions of eligibility), with an impartial chairman to resolve deadlocks, would be established; and (6) some arrangement for pooling the reserve funds and the liability of the employers would be established. The proposal that the scheme be financed partly on a pay-as-you-go basis is intended to give employers an incentive to stabilize employment.

Schemes of the sort proposed by unions to supplement unemployment compensation would be stabilizing—they would help sustain personal incomes in times of recession and thus would help sustain the demand for consumer goods and, under some circumstances, they would increase the propensity to save in periods of expansion. Let us consider briefly the effect of supplementary unemployment compensation upon the size of personal incomes during periods of business recession. In the small recession of 1949, unemployment insurance benefits under the state schemes and the railroad scheme were slightly more than a billion dollars higher than in 1948. The increase was only a small percent of total wage and salary payments which at that time were about $133 billion a year. Nevertheless, an increase of $1 billion in the incomes of those people who were thrown out of work was important both from the humanitarian point of view and from the standpoint of stabilizing the economy. Unfortunately, unemployment compensation benefits have been low in most states, and the process of liberalizing them has not kept pace with rising wages. Furthermore, the coverage of unemployment compensation schemes is inadequate, as public employees and, in many states, small enterprises are not covered.

The need for more liberal unemployment compensation benefits is particularly great in the case of the higher paid workers. Although the weekly unemployment compensation benefits for total unemployment has risen from $19.03 in 1948 to $24.03 in October, 1953, the ratio of benefit payments to weekly earnings of factory workers has fallen from 35.1% in 1948 to about 33% at the present time.[1] President Eisenhower in his Economic Report has called attention to the need for liberalizing unemployment compensation.

IV

Let us consider several special problems associated with guaranteed annual wage plans; (1) the problem of incentives for employers to avoid creating unemployment; (2) the administration of supplementary unemployment compensation; (3) the problem of pooling reserve funds; and (4) the timing of the adoption of guaranteed annual wage plans.

(1) The problem of incentives for employers to avoid creating unemployment. When contributions to unemployment compensation funds based upon "merit rating" or "experience rating" were under debate a few years ago, most unions opposed the proposal on the ground that most employers could do little about employment, and many employers agreed to the idea on the ground that the employer needed an incentive to stabilize employment. Now some unions argue that the proposed supplements to unemployment compensation will encourage employers to stabilize employment, and many employers reply that employers can do little or nothing about employment.

The union which seems to be most interested in giving employers an incentive to stabilize employment is the United Automobile Workers Union. The union believes that supplementary unemployment compensation, if financed partly on a pay-as-you-go basis, would lead managements to plan the introduction of new equipment so as to produce a minimum of lay-offs, to plan the extension or movement of its plants into new areas so as to minimize lay-offs, and even to make greater efforts to reduce seasonal fluctuations in output of cars. It seems to be true that there are some kinds of casual of intermittent unemployment, or even seasonal unemployment, which managements can substantially reduce. I do not believe that the union is realistic, however, in suggesting that employers can be induced by supplementary unemployment compensation benefits not to produce as many cars in the first half of the year as consumers can be persuaded to buy.

Financing supplementary unemployment compensation partly on a "pay-as-you-go" basis raises important problems that I do not have time to discuss. For example, it creates the possibility that costs will rise as sales contract—a trend that would be bad for general economic stability. Furthermore, it creates the possibility that the incentive for employers to stabilize employment will also be an incentive for them to go slow in expanding employment. Proper design of arrangements for financing supplementary unemployment compensation can largely avoid each of these difficulties.

Although unions do not argue that employers can do very much about cyclical unemployment, I believe that there are some industries in which employers can moderately reduce cyclical unemployment. This possibility comes about from the rise in industrial research. The great growth of industrial research means that the managements of many companies are operating with a backlog of unexploited investment opportunities. They are held back from introducing improvements in methods and products immediately in times of boom by the fact that their enterprises are operating at about capacity and cannot make changes which would disrupt production without losing orders. Hence, in boom times it is quite understandable that industrial research will produce a considerable backlog of unexploited investment opportunities which may be put into effect at the first down turn in business.

The willingness of managements to introduce changes in methods and changes in products during periods of contraction will depend upon circumstances. If managements for any reasons feel a strong need to increase the liquidity of the enterprise, expenditures on improvements in methods and on the introduction of new products will be kept to a minimum. Supplementary unemployment compensation can be arranged to have some influence upon managements' willingness to introduce new methods and new products during periods of busi-

Continued on page 37

*Summary of a talk by Dr. Slichter before the American Management Association, Chicago, Ill., Feb. 15, 1954.

1 *Social Security Yearbook*, 1948, page 28; *Social Security Bulletin*, September, 1951, page 29; and January, 1954, pages 22 and 26.

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If your name is Smith...

If your name is Smith, and you find yourself introduced every so often as Jones, you doubtless want to set the record straight. Not that there's anything wrong with the name Jones, but you'd much rather be known by your own name.

Well, Socony-Vacuum finds itself referred to every so often as a Standard Oil Company. And we'd like to set the record straight. We are not a Standard Oil Company, though we once were—a long time ago.

The Socony-Vacuum Oil Company resulted in 1931 from a merger between the Standard Oil Company of New York and the Vacuum Oil Company. There is no longer any Standard Oil Company of New York, and Socony-Vacuum no longer uses the words Standard Oil to identify its products. We and our subsidiaries have as our emblem the Flying Red Horse, and our principal products are Mobilgas, Mobiloil and Mobilheat.

It is a fact that many years ago—before most of you had ever bought a gallon of gasoline—Vacuum Oil, Standard of New York, and some other oil companies were a part of the old Standard Oil Trust. That trust was dissolved in 1911 by the Supreme Court, and all of the companies composing it were launched on their separate and independent ways. We now find in them some of our most aggressive competition.

None of the officers or directors of Socony-Vacuum or its subsidiaries is an officer or director of any Standard company. And none of their officers or directors is connected with Socony-Vacuum.

There isn't anything wrong with the name Standard or the name Jones. But like the fellow named Smith, we just wanted to set the record straight. We're the Socony-Vacuum Oil Company—an independent enterprise, strictly on our own.

SOCONY-VACUUM OIL COMPANY, INC.

Makers of Mobilgas and Mobiloil

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Continued from page 9

Trust Investments During Transition Period

playing an increasing role as an internal source of capital; and if the Congress should ease the depreciation provisions of the Internal Revenue Code, it will be of even greater importance in the future. It therefore appears that corporations, as in the immediate past, will continue to depend to a large extent on internal sources of capital.

Moreover, sinking fund operations on outstanding bonds provide for constant repayment of outstanding debt to present bondholders who in turn are forced to seek new outlets for their funds. Similarly, the amortization of mortgages supplies a growing supply of funds seeking an outlet in new mortgages. The capacity to save in the United States is great; and hence, except in periods when business activity is very high and the government is operating with a deficit and thus has to borrow in the open market, the supply of funds seeking an outlet in the market is usually as great as, and often greater than, the demand for new capital.

The Demand for Capital in 1954

The demand for capital in 1954 will be substantial, but unless the government operates with a large deficit or offers a considerable amount of long-term government securities in exchange for maturing obligations, it should not be larger than the supply. This conclusion is based on the following considerations:

(1) The demand for capital by corporations in all probability will be somewhat smaller than in 1953. Capital expenditures have been carried out on a large scale since the end of the war and the productive capacity of the country is indeed great. Under these circumstances one may expect, particularly in view of the fact that the economy is in the midst of a readjustment, that capital expenditures in 1954 will decline somewhat. Should the Congress pass legislation modifying depreciation provisions, the demand for new capital from external sources could be further decreased.

(2) The demand for home mortgages is bound to be large. It is generally believed, however, that unless measures are taken by the Administration to stimulate home building the number of home starts in 1954 may be less than in 1953. The volume of tax-exempt securities will also undoubtedly be great, particularly since the Administration will probably adopt measures to stimulate public works. What the supply of long-term government securities will be is as yet unknown. Although the Budget Message of the President envisages only a relatively small deficit for the fiscal year 1954-55, actual size of the deficit will depend on actions of Congress which, of course, no one can predict.

The money and capital markets will also be greatly influenced by the credit policies of the Reserve authorities and the debt management policy of the Treasury. The policies of the Reserve authorities will be guided primarily by the state of business activity. A downturn in business, particularly if accompanied by an increase in unemployment, is bound to lead to a more aggressive credit policy. This could assume several forms. It could be in the form of lowering of reserve requirements, which would increase excess reserve balances, or through more aggressive open market operations followed or accompanied by a reduction of the discount rate. Lowering of reserve requirements would undoubtedly stimulate purchases of governments as well as of tax-exempt securities by the commercial banks.

The credit policies of the Reserve authorities could also remain passive and still have a favorable influence on business activity. For example, the Reserve authorities could refrain from counteracting the return flow of currency from circulation or an inflow of gold or the conversion of required reserves into excess reserves brought about through a reduction in the volume of commercial loans. Irrespective of the specific measures the Federal Reserve authorities may adopt, it is fairly certain that so long as the economy is in the midst of a readjustment and is not operating at capacity and there is considerable unemployment, they will endeavor to keep the money market comfortable in order to stimulate lending and investing.

The Investment Policies of Commercial Banks

The investment policies of commercial banks will be influenced largely by the policies of the Reserve authorities and the demand for loans. The creation of additional excess reserve balances will lead to an increase in the demand for securities by the banks. It is not likely that the banking system as a whole will be willing to operate with a large volume of excess reserves.

The demand for loans will be subject to a number of influences. The forces leading to a decrease in loans are, briefly: (1) the decline in busines activity; (2) the effort to liquidate inventories; (3) the repeal of the Excess Profits Tax; and (4) the possibility that consumer credit may decrease. The forces that may lead to an increase in the volume of loans are the possibility of increased tax borrowing as well as greater dependence by industry and trade on the banks caused by the deterioration in the quality of the working capital. One may therefore conclude that during 1954 the banks may become larger buyers of securities than before. This, too, will contribute to the downward trend in money rates.

Thus, the conclusions that could be reached on interest rates are: The long-term trend is still downward. Although the secular trend is often interrupted by short-term cyclical swings, in the period immediately ahead the cyclical swing will be more pronounced on the downside, just as in the early part of 1953 it was more pronounced on the up side. Under such circumstances it appears advisable to acquire long-term bonds now. Should the downward swing go too far, as it went too far on the up side in the early part of 1953, then shorter term obligations will become more attractive to buy and to hold until the abnormal swing has passed.

Conclusion

Investment policies of trust companies are based on reasonable judgment, which involves an analysis of the economic forces in operation. So long as the purchasing power of the dollar was stable, trust companies were primarily concerned with the preservation of the estate in terms of dollars and obtaining a reasonable return. When, as a result of the war, inflationary pressures set in and the purchasing power of the dollar tended to decline, investment officers realized that the mere preservation of an estate in terms of dollars alone was not sufficient and protection against loss of purchasing power of the currency became an important function in trust estate planning. In a period of rising commodity prices, equities, therefore, play a more important role than in more normal periods.

The forces of inflation have run their course. The great pentup demand created by the war and its aftermath has been met. The productive capacity of the country is greater than ever before and as a result competition is keen and is likely to become even keener in the immediate future. Moreover, the economy is in the midst of a readjustment which, while it may not last long nor be very serious, can have an adverse effect on earnings of corporations and hence on values of equities. The economy today is perhaps more dynamic than ever before, which means constant creation of new values and undermining of old values. Under present conditions, therefore, the pressure of investment officers to invest in securities that may provide a hedge against inflation is not as great as it was up to the middle of 1953. On the other hand, in a dynamic economy selectivity of equities becomes a factor of the utmost importance.

The decline in business activity has had its impact on the movement of interest rates. The cyclical upward swing which set in around the middle of 1950 has come to an end and the long term downward trend has resumed its course. The trend of interest rates is downward, brought about primarily by the enormous volume of individual and corporate savings. It is also likely that the demand for capital by the private sector of the economy in 1954 may be somewhat smaller than in 1953. If the Administration is able to operate within the budget proposals of the President for the coming fiscal year, new borrowing by the Federal Government will not play an important role in the capital market. Debt management, however, can influence considerably the trend of long term bonds.

In considering the longer range outlook it is advisable to bear in mind that the Aemrican economy is sound and growing and that the period of continuous increases in individual and corporate taxes seems to have come to an end. Based on the rapid growth in population, the steady rise in the standard of living, and the huge amounts spent on research leading to the creation of new products, one is warranted in the conclusion that the upturn which will set in, once the present readjustment is over, will bring the economy to new higher levels than prevailed at the peak of 1953.

First of Arizona Co. Invest. Firm Formed

(Special to The Financial Chronicle)

PHOENIX, Ariz.—The First of Arizona Company Investments, Inc. has been formed with offices in the Heard Building. Francis C. Rogers is a principal of the firm. Mr. Rogers has recently been President of Kirby L. Vidrine & Co. and prior thereto was a partner in Woodward, Rogers & Zuber.

A. N. Schwartz Co. Opens

WASHINGTON, D. C.—A. N. Schwartz has formed A. N. Schwartz & Co. with offices in the Union Trust Building, to engage in the securities business.

Midwest Exch. Member

CHICAGO, Ill.—The Board of Governors today elected Kenneth J. Brown of K. J. Brown & Co., Inc., Muncie, Ind., to membership in Midwest Stock Exchange.

THE MARKET . . . AND YOU

By WALLACE STREETE

The play in a handful of special situations simmered down this week after giving brokers some points of interest that all but obscured a market that, generally, was a bit tired. And once the enthusiasm in special situations had run its course, the list sagged into the worst one-day loss recorded so far this year, a trim of almost three points in the industrial index.

* * *

It wasn't particularly ominous that the list was able to back up rather easily. The reinvestment demand in January had added some 14 points to the industrials and around nine points to the rails. Even the slow-moving utilities had tacked on a couple of points to reach levels not seen since 1931. After such an achievement a bit of a reaction is normal, particularly since February is by tradition the year's poorest month, and tax time, which usually withdraws funds from the market, is approaching. In addition, on a technical basis there are support levels nearby which, if they hold, will minimize any temporary setback.

The Excitement in Central And MOP

Biggest excitement was that in New York Central. The stock was bought actively once a pitched battle was assured, with Robert R. Young, of Alleghany Corp., in one corner and the present management in the other, vowing a bare-fisted fight with him. Undoubtedly some of the buying was by the embattled interests, but there was a rather congested group of free riders in the market too on the beautifully simple logic that with two powerful factions looking for the votes the stock carries, the only way the issue could go was up. Opening the issue on any trading day became something of a chore, one delay running close to two and a half hours before the balance was struck. But when the buyers stepped aside briefly, a loss of a point showed up quickly which, too, is one of the hardest handlings the issue has had this year.

* * *

RKO Still Leads Activity

RKO Pictures, with the directors already on record approving the acceptance of a bid for the outstanding stock from Howard Hughes, continued to dominate activity although its price action was modest. It appeared in some large blocks, including 45,000, 21,000 and smaller ones, which, however, does little to detract from last week's mammoth 200,000-share appearance. Next step in the deal is for stockholders to approve the plan at a meeting on March 18. The offer made by Mr. Hughes figures out to $6 a share, which was double the market value at the time it was made. Moreover, it lifted the issue to the No. 1 spot for activity so far this year despite the play in Central.

* * *

Illinois Central was an early feature of the week, due to a mixup in its dividend meeting late last week. The company's directors declared the regular dividend as the first item on the agenda at their meeting and the information was made available to publications. In the late trading of Friday the wide expectation of better treatment or a stock payment led to some selling that depressed the stock more than three points at the worst. Subsequently the directors took up the stock split further down on their agenda and voted for a 2-for-1 recommendation. But by the time this was reported, stock trading had ended for the day. When Illinois Central opened the new week, it did so on a hop of four points.

* * *

Aircrafts Fly High

For the stocks not directly keyed in with news developments, the week was an unhappy one except for some of the aircrafts which continued to forge ahead into new high ground. Douglas Aircraft was outstanding in this respect. This issue, split 2-for-1 as recently as 1951, reached a new all-time high comfortably above par and within easy reach of the best price ever recorded for the old stock. There aren't too many issues among those split recently that are selling around the pre-split level today.

* * *

Stalwarts like du Pont and General Electric haven't been having too good a time of it

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recently. The higher dividend for du Pont provided little in the way of a lift, at least when measured against some of the gains it achieved merely on hopes in recent weeks. General Electric, which was clipped by profit-taking occasionally but only after a day of outstanding strength, put two sizable losses back to back for one of the more disappointing performances.

* * *

Chrysler, too, continued to find the going heavy. Declaration of the regular quarterly payment, which was a bit unexpected in some quarters, didn't generate any special popularity for the issue which is selling at around a 10% yield and indicating some rather widespread doubt over the size of the next payment. The yield is roughly double that of other issues in the quality section of the list. The pattern—so far—is about similar to that of Studebaker where a couple of regular dividends were declared, surprising the Street, before the inevitable cut came along. The difference is that Studebaker's dividends weren't covered by the earnings while those of Chrysler have been amply covered thus far.

* * *

Tobaccos Go Downhill

The cigarette shares, too, seem unable to build up much investor confidence. There isn't any conclusive proof yet that all the discussion over tobacco and lung cancer has cut smoking on any widespread basis. But the fact that the discussion is also a lively one overseas was taken as a signal to unload and no less than American Tobacco, Liggett & Myers and Philip Morris all reached new low territory simultaneously, a rather concerted drive downhill.

* * *

Chemical issues were more of a puzzle. Despite the obvious benefits for them in an end to the excess profits tax, and their premiere position as the growth industry of them all, the shares have had little in the way of a following to sustain them recently. They have, consequently, been able to slide easily on weakness in the market generally and efforts to recoup the lost ground have been labored ones.

* * *

Technical Aspects

Technically, the market is still in middle ground. Any reaction after the new high of 294.03 for a score of years that was recorded early this month could get a testing at around the 285 level. Incidentally, several of the other stock averages have yet to accomplish the break-out and confirm the new high of the Dow industrial measurement. Rails have failed to take over the leadership right along, and were still dawdling some nine points below the 1952 high when the industrials broke out. They could dip to the 100 level, which is a couple of points below the poorest of this week, without violating any of the technical indications. The majority opinion, barring any unforeseen developments, is that the two major groups might well test these levels before any worthwhile advance is carved out. This is especially true in view of the income tax weight, shortly to be felt.

[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.]

A REPORT to our nine million policyholders who have added to their personal and family security through John Hancock life insurance . . .

STATEMENT OF FINANCIAL CONDITION, DECEMBER 31, 1953

ASSETS

Bonds		$2,613,303,617
United States of America		
Long term	$398,484,469	
Short term	4,997,396	
Dominion of Canada	12,434,651	
State and other civil division	117,978,155	
Railroad	233,321,726	
Public utility	1,079,709,059	
Industrial and Miscellaneous	766,378,161	
Stocks		189,833,918
Preferred or Guaranteed	71,914,944	
Common	117,918,974	
Mortgage loans on real estate		720,791,544
Residential and Business	577,295,491	
Farm	143,496,053	
Real estate		68,508,378
Home office, Housing and other properties acquired for investment	68,027,572	
Foreclosed properties	480,806	
Loans and liens on Company's policies		102,313,156
Cash in banks and offices		59,874,726
Premiums due and deferred		56,923,273
Interest and rents due and accrued		32,392,769
Other assets		8,774,139
Total Assets		$3,852,715,520

OBLIGATIONS

Statutory policy reserves	$3,021,421,016
The amount determined in accordance with legal requirements which will, with future premiums and interest, assure payment of all future policy benefits.	
Policyholder and beneficiary funds	260,105,341
Proceeds from death claims, matured endowments and other payments, including dividends left with the Company at interest.	
Dividends payable to policyholders in 1954	54,807,983
Policy benefits in process of payment	28,246,830
Including claims in process of settlement and an additional sum for claims not yet reported.	
Other policy obligations	79,545,265
Premiums paid in advance of due date $34,045,265 and reserve for ultimate changes in policy valuation standards $45,500,000.	
Mandatory security valuation reserve	30,060,776
As required by the National Association of Insurance Commissioners.	
Accrued taxes payable in 1954	13,889,000
Other obligations, including accrued expenses	26,950,434
Total Obligations	3,515,026,645

SURPLUS TO POLICYHOLDERS

Contingency reserve for Group Insurance	10,295,000
Contingency reserve for fluctuation in security values	49,360,000
General surplus	278,033,875
Total Surplus	337,688,875
Total Obligations and Surplus	$3,852,715,520

All securities are valued in conformity with the laws of the several States and as prescribed by the National Association of Insurance Commissioners.
Securities carried at $610,630 in the above statement are deposited for purposes required by law.

DIRECTORS

Charles L. Ayling	Paul F. Clark	John M. Hancock	Samuel Pinanski	Georges F. Doriot
Guy W. Cox	William M. Rand	Ralph Lowell	Philip H. Theopold	Lloyd D. Brace
Carl P. Dennett	Edward Dane	Karl T. Compton	Olen E. Anderson	*Lee P. Stack
Albert M. Creighton	Daniel L. Marsh	Thomas D. Cabot	E. Taylor Chewning	*Earl P. Stevenson
Joseph E. O'Connell	Byron K. Elliott	Merrill Griswold	Edward B. Hanify	**Elected February 8, 1954*

MUTUAL LIFE INSURANCE COMPANY
BOSTON, MASSACHUSETTS

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Shifts in Bank Deposits: 1940-53

By MORRIS A. SCHAPIRO*
M. A. Schapiro & Co., Inc., New York City

Bank stock analyst traces shift in growth of bank deposits toward the West and South and away from metropolitan centers. Points out social, economic, and political changes, accelerated by industrial decentralization and population shifts, have altered the relative position of traditionary money centers, and, therefore, the classification of New York and Chicago as Reserve Cities, in which banks are required to hold higher cash reserves, is no longer warranted.

The growth an diffusion of bank deposits throughout the nation since 1940 present a spectacular picture. Although the trend has been generally recognized, its long term implications now demand the attention of investors and banking leaders, as well as legislators and the monetary authorities.

Morris A. Schapiro

Investor interest in banks is no longer concentrated in the traditional money centers of the East. Evidence of this is found in the fact that managers of the country's institutional funds have now greatly diversified their bank stock portfolios. In line with this trend, Massachusetts and, more recently, Connecticut acted to permit savings bank investment in shares of out-of-state banks.

Growth Since 1940

Since 1940, deposits of all member banks have grown $91.1 billion, from $51.9 billion to $143.0 billion in 1953, an increase of 175%. And, this growth in deposit totals has been accompanied by a shift of funds into new areas of industrial activity and population expansion.

The deposit shift to the West and South is indicated by the decline in the percentage of national deposits held by the member banks in the first three Federal Reserve Districts. In these districts—Boston, New York, and Philadelphia, the combined total of deposits held dropped from 48.74% of the country's deposits in 1940 to 35.27% in 1953.

During the period, deposits in these Northeastern districts rose to $50.4 billion, an increase of $25 billion, or 99%. In the other nine districts, deposits advanced to $92.6 billion, a growth of $66 billion, or 248%.

New Money Centers

Concurrently, with this diffusion of deposits, banks in the other nine districts have been accumulating large banking capital. Since June 30, 1940, these banks have increased their capital accounts 137% to $6,485 million on Sept. 30, 1953. On this date, their capital represented 57.7% of all member bank capital, compared to 48.8% in 1940. Clearly, new money centers have taken root, and competition among all banks for national business is keener than ever before.

Many cities now have banks which, while local in character, have become national in stature. This situation had been developing even prior to World War II. Deposit growth in 37 selected Reserve cities since 1940 shows that total deposits for all the 53 Reserve cities gained 201% against only 58% for the Central Reserve member group in New York City. A list of today's thirty largest banks, their deposits then and now, discloses that eighteen of these banks are located outside of New York City. (See table.)

In the over-all banking picture, of course, sweeping changes have taken place since December, 1913 when the Federal Reserve Act became law. At that time, when the twelve Federal Reserve Districts were established, the banks were also designated by classes—Central Reserve city member banks, Reserve city member banks, and Country member banks. These designations were for the purpose of specifying reserve requirements on the basis of then existing geographical and historical considerations.

Central Reserve Classifications

New York City and Chicago banks were classified Central Reserve city members because they were then truly "central" banks dominating the money market and holding the great bulk of the reserve balances of other banks. This historical function has now become less important because today the Federal Reserve Banks hold most of the cash reserves of the banking system. Social, economic, and political changes, accelerated by industrial decentralization and population shifts, have altered the relative position of traditional money centers.

The bulk of inter-bank balances is no longer held by New York City banks. Since 1940, domestic bank balances held by all banks rose from $8,987 million to $10,980 million. The proportions held on June 30, 1940, and June 30, 1953, changed as follows:

Central Reserve city members, New York, from 42.7% to 27.2%.

Central Reserve city members, Chicago, from 10.6% to 10.7%.

Reserve city members, from 40.4% to 52.4%.

The Reserve city group showed an actual increase of 58.4% in total domestic bank balances held; Chicago 24.2%. New York City, however, suffered a decline of 22.3%.

Further, in New York City and Chicago, inter-bank deposits have shrunk in relation to their total deposits. On June 30, 1940, deposits of "other domestic banks" aggregating $3,840 million represented 24.0% of the total deposits held by the New York City group. Last year, on June 30, $2,986 million of "due to domestic banks" represented only 11.8%. In Chicago, the corresponding figures were 26.8% in 1940, and 16.5% in 1953.

Federal Reserve Re-examined

In relation to the country as a whole, the total of all deposits held by the New York City and Chicago Central Reserve city member banks has declined from 37.25% in 1940 to 23.15% in 1953. Nevertheless, these 35 banks must maintain higher cash reserves than other banks because of an outmoded classification. In view of the changes which have taken place, the higher reserve requirement of 22% for Central Reserve city member banks is unrealistic and discriminatory by comparison with the requirement of 19% for the 319 member banks in the 53 Reserve cities.

These higher reserve requirements fall unfairly on New York City and Chicago banks where lower earning power reflects a traditionally strong deposit capital ratio. No important monetary or credit control purpose is served commensurate with this burden. In effect, the Federal Reserve Board acknowledged this unfairness last July when the disparity in reserve requirements was reduced from four to three percentage points. The disparity remains, however, placing a penalty on these banks because of a position they once held.

The New York Clearing House Association in its penetrating study, "The Federal Reserve Re-Examined," recently took cognizance of this changed situation. "The uniform reserve requirements plan," the Association states in this authoritative analysis, "made its first public appearance in 1948 as the result of the work of a Reserve System staff committee which had been appointed to study the general problem of member banks reserve requirements." The plan would drop existing classifications of cities and portions of cities for reserve requirement purposes; provide three cash reserve percentages, one against demand deposits (except due to banks), one against time deposits and one against interbank deposits. The New York Clearing House Association recommended that "any legislation on reserve requirements should recognize that geographical differentials are no longer useful or necessary."

Deposits of Thirty Largest Banks
(in thousands of dollars)

BANK—	Head Office	—Total Deposits— Dec. 31, 1940	Dec. 31, 1953	Per Cent Increase
1. Bank of America	San Francisco	$1,632,000	$7,744,000	375%
2. National City Bank	New York	2,908,000	5,538,000	90
3. Chase National Bank	New York	3,543,000	5,062,000	43
4. Manufacturers Trust Co.	New York	[illegible]	[illegible]	[illegible]
5. First National Bank	Chicago	1,159,000	2,621,000	126
6. Continental Illinois National Bank	Chicago	1,492,000	2,537,000	70
7. Guaranty Trust Co.	New York	2,390,000	2,521,000	5
8. Bankers Trust Co.	New York	1,416,000	1,908,000	35
9. Security-First National Bank	Los Angeles	620,000	1,875,000	202
10. Chemical Bank & Trust Co.	New York	872,000	1,816,000	108
11. National Bank of Detroit	Detroit	590,000	1,700,000	188
12. The Hanover Bank	New York	1,294,000	1,657,000	28
13. Mellon National Bank	Pittsburgh	746,000	1,580,000	112
14. First National Bank	Boston	837,000	1,536,000	84
15. Irving Trust Co.	New York	777,000	1,324,000	70
16. Bank of The Manhattan Co.	New York	698,000	1,299,000	86
17. Cleveland Trust Co.	Cleveland	437,000	1,278,000	192
18. American Trust Co.	San Francisco	323,000	1,193,000	271
19. Philadelphia National Bank	Philadelphia	620,000	804,000	30
20. Corn Exchange Bank Trust Co.	New York	382,000	775,000	103
21. Pennsylvania Company	Philadelphia	280,000	741,000	165
22. Anglo California National Bank	San Francisco	203,000	724,000	257
23. The Detroit Bank	Detroit	212,000	717,000	238
24. Seattle-First National Bank	Seattle	209,000	711,000	240
25. J. P. Morgan & Co. Inc.	New York	720,000	6[illegible]8,000	(—) 4
26. New York Trust Co.	New York	495,000	679,000	37
27. Northern Trust Co.	Chicago	397,000	677,000	71
28. Harris Trust & Savings Bank	Chicago	314,000	672,000	114
29. United States National Bank	Portland, Ore.	163,000	662,000	306
30. National City Bank	Cleveland	218,000	660,000	203

Bank Holding Companies

BANK—	Head Office	Dec. 31, 1940	Dec. 31, 1953	Per Cent Increase
1. Transamerica Corporation	San Francisco	$248,000	$1,550,000	525%
2. Northwest Bancorporation	Minneapolis	464,000	1,507,000	225
3. Marine Midland Corporation	Buffalo	522,000	1,474,000	182
4. First Bank Stock Corporation	Minneapolis	441,000	1,267,000	187
5. Wisconsin Bankshares Corporation	Milwaukee	319,000	766,000	140
6. BancOhio Corporation	Columbus	130,000	525,000	304
7. Marine Bancorporation	Seattle	104,000	432,000	315
8. Baystate Corporation	Boston	116,000	380,000	228
9. First Security Corporation	Ogden, Utah	[illegible]	[illegible]	[illegible]

*From an address by Mr. Schapiro before the Boston Security Analysts Society, Boston, Mass., Jan. 25, 1954.

LETTER TO EDITOR:

Economic Naivete in High Places!

Alden A. Potter takes issue with Secretary of the Treasury's theories regarding correction of monetary instability. Concludes, in the long run, the Federal Budget can never be balanced without endangering the economy by a "chain reaction," and, therefore, "the Public Debt can never be paid off."

Editor, Commercial and Financial Chronicle:

Is it a "fear deal" to point out, as this writer has done recently in the columns of the "Chronicle" (Aug. 27, 1953) that a "tight money" policy, because of the "chain reaction" it engenders in the economy, cannot be reversed at will? The existing "credit" system is incapable of reversing a lack of "confidence" as it affects not only domestic money supply but also "foreign" policies, like "dumping" (or foreign "aid") to support prices against "burdensome surpluses" or imports (restricted also by tariffs).

Alden A. Potter

The measures which are adopted by domestic law (also by treaty-law and "executive agreements") in an effort to compensate for monetary instability need not be recounted here, but they constitute policies which are clearly antithetic to a *laissez faire* economy. A "soak the rich" demagoguery arises, evidenced just now in the naive notion that the "upper crust" will escape taxation and Treasury revenue suffer accordingly if corporate income taxes are repealed.

We are certainly not going to accomplish any adequate control over money supply as long as our top officials, even the Secretary of the Treasury, believe that reduction of national spending and balancing the budget will, because of lower taxes, "leave more money in private hands." To eliminate all public deficits (stop adding to the public debt; to say nothing of paying it off) is simply to "prime the pump" in reverse and produce a shrinkage in "confidence" and "credit." Not being properly implemented in the law (by a "cybernetic" process operating like a thermostat), a policy which attempts to expand and contract simultaneously simply flies from one extreme to the other, trying to undo with one hand what is done with the other. What the Federal Reserve is trying to do to "ease credit" (by "pushing on the string") the Treasury is trying to undo by still pulling on it (avoiding any deficit spending). This can hardly serve to promote public confidence or private expansion of credit.

Without a deficiency in either public or private incomes which are overspent and filled in by bank "credit" (it is virtually impossible to keep the private sector operating independently with any semblance of stability, i.e., without "chain reactions") a depression (deflation) chain or spiral is a virtual certainty as to everything except timing of either collapse or recovery. Public priming for private recovery could be effective only IF there were no possible extinction of money supply by the payment of debts to banks, and IF the public budget were shrunk but not to the point of *no* deficit spending, especially not to the point of ever trying to pay off the public debt to the banks, thus shrinking the money supply.

When reducing the budget by public economy, which serves to reduce national income, it is advisable to cut taxes, quite as Chairman Reed of the House Ways and Means Committee has argued, *below* what seems to be required for the reduced expenditure, so that there can be no doubt that money is actually "left in private hands" by deficit spending thus providing a stimulus *without* suddenly reversing the policy of cutting government spending and going into boondoggling under the guise of "public works" which will actually *prevent* the development of private enterprise by preventing the employment of both capital and labor at competitive levels.

In the face of such a damper there can be no expectation that private industry will ever "boom" on its own, that is, unselfishly fulfill its alleged "obligation" to keep things going lest the government take over. Let's not kid ourselves into thinking that all is well by mistaking government contractors for private enterprise!

In fine, a Treasury deficit is appropriate, not when its budget is increased, but when it is decreased. So any possible balancing of the public budget should be the result of a severe cut in taxes in coincidence with a moderate cut in spending. Industry will certainly not "accept the challenge" to keep the economy strong and expanding on a non-profit basis, in the face of an awkwardly balanced budget. In the long run, the Federal budget can never be balanced without endangering the economy by a "chain reaction." The public debt, therefore, can *never* be paid off.

ALDEN A. POTTER,
Box 181, R. F. D. 3,
Bethesda 14, Maryland

Jackson & Co. Offers Broadcasting Stock

Jackson & Co., Boston, Mass., are offering to the public 195,000 shares of common stock (par 10 cents) of Television & Radio Broadcasting Corp. at $1 per share. This represents the unsold balance of an original offering of 299,900 shares made in March, 1953.

The net proceeds will be used to pay certain indebtedness incurred in purchase of stock of subsidiaries and then for general corporate purposes to provide working capital for necessary expansion and equipment replacement.

At present the corporation owns 91.36% of North Shore Broadcasting Corp.; 83.86% of South Shore Broadcasting Co. and its wholly owned subsidiary, Atco, Inc., and Bay Colony Television Corp., which currently owns some 275,000 feet of land in Braintree, Mass., for an intended television transmitter site.

South Shore Broadcasting Co., a Massachusetts corporation, incorporated in 1946, owns and operates radio station WJDA at Quincy, Mass.

North Shore Broadcasting Corp., a Massachusetts corporation, organized in 1949, owns and operates radio station WESX with studios and transmitter at Naugus Head, Marblehead, Mass.

For the year ended Dec. 31, 1953, net profit amounted to $13,489, after provision for Federal and State income taxes. Current assets at the close of the year totaled $42,629, as against current liabilities of $18,866.

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The Aircraft Manufacturing Industry—A Look Ahead

By H. M. HORNER*
President, United Aircraft Corporation

Aircraft manufacturing executive reviews situation in the industry, and contends there will continue to be a heavy demand for military aircraft, due to obsolescence of old models and creation of new ones. Says this does not mean all aircraft companies are guaranteed a living. Looks for U. S. to continue its leadership in commercial aircraft, and holds we are not behind Britain in jet technology. Concludes broad future for commercial aircraft and commercial aviation looks bright.

I did a considerable amount of preparatory reading in preparation for this occasion. I know this was wrong. I assume that what you wanted me to do was to gaze into a crystal ball, but neither the crystal ball nor my background reading really offer a base from which I can work. For instance, if I begin spouting off, before this particular group, the raft of figures that I saw in my reading, I have a hunch that, all through the audience men would rise up, shaking a fist at me and hollering, "Horner, you are a plagiarist. You are quoting from what I wrote about the aircraft industry in my December 10 analysis"; or someone else would say "Horner used my material but he has shifted the decimals four degrees west."

H. M. Horner

Fundamental Facts Surrounding Aircraft Industry

So instead of figures and forecasts, may I talk briefly about some of the fundamental facts that surround the American aircraft industry and United as a part of that industry?

First to discuss the military aircraft market.

For 30 years, in this country, men in aviation have been preaching that there must be a long range national policy if we were to use airpower effectively. Beginning in the middle '20s with the Morrow Board, such a program was adopted and it survived until the early '30s when it fell under the impact of the depression. Today, once again, there seems to be a real awareness in Washington that such a national policy is an essential. Certainly, there is talk of establishing a long-range procurement plan. The Administration also has made it clear that air power is the fundamental attribute that the United States must have to prevent war or to meet war in the event it comes. We are a nation dedicated to the belief in humanitarian principles, and it has never been our policy to sacrifice armies of our young men where we could save them by giving them better equipment. From the cost standpoint, too, it must be apparent that a minimum of men under arms but with equal effectiveness due to superior equipment, gives the country that protection for fewer dollars. We are the most technical nation the world has ever known. As such, our high labor costs per man hour are staggering in comparison to those of any other nation. Even our ordinary soldier, when compared to the soldiers of other countries, is paid more, a lot more, clothed better, fed better and sheltered better than any other soldier in history. So it would seem to be obvious that we should try to build an adequate defense with the very minimum of military personnel. To achieve such a goal, we must have the very best of equipment of all types in order to multiply the effectiveness of those men we do have under arms so that, with relatively small numbers, we can obtain our objective—the prevention of war.

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

Now, air power comes into this to a major degree. Not only from the standpoint of the bomber and the nuclear explosive and the fighter with its rockets, but also, importantly, from the transportation—the mobility—standpoint. It is unwise to do too much prophesying, especially in aviation, but it does seem unrealistic to me to believe that in the foreseeable future this country of ours, which now has had world leadership thrust upon it, can contemplate any drastic decrease in the size of its military air establishment. By this I do not mean that we may not drop down, to, say, 100 groups from the presently planned 137 with equivalent Navy, Marine, and Army air, but I would doubt that we would go down to those skeleton aviation production days like 1946, '47 and '48.

Now if you will go along with me on the point that the U. S. will continue to keep itself relatively strong in the air, what have we got? In the first place—air power —effective air power—is based on quality. Quality stems from engineering, spurred by good old-fashioned competition, and that is where the American aircraft companies should excel, from the standpoint of providing superior aircraft to those of foreign countries. If we, as an industry, do a really good job in engineering, in design and development, we automatically make a market for our product if we can still assume the country wants strong air power. Air power leadership means a dynamic, thriving search for new threshholds to conquer, and in an art as swiftly moving as aviation, I am convinced that it will be many a day before every aircraft which is put into production isn't obsolescent right then because of some design simultaneously going down on someone's drawing boards.

In addition to this most important factor of obsolescence, we have a certain amount of attrition even in peacetime service use. It is my opinion that this country will have a pretty healthy, vigorous, and competitive military aviation industry if our country continues to maintain air forces anything like those now being built if we insist on keeping them really modern. President Eisenhower said in his budget message last week that the United States would have 40,000 military aircraft in service in the next few years. Now this does not, and should not, mean that every design and manufacturing outfit is guaranteed a living. Because of the overriding importance of quality, those companies developing the top performance articles should get the orders, and conversely, those which do not develop top performance articles should not get orders. If there are some that fail to survive, it's too bad, but that is our American system. It has proven it gets results, and let's remember that many more aviation concerns have gone out of business than are now active.

I don't know what the attrition plus modernization rate for the military is, but let's just assume it is at 20% per year, which might even be low. 20% of 40,000 is 8,000. Now 8,000 of today's military planes per year is a lot of business, probably somewhere around five or more billions of dollars and can be compared with the estimated 9,000 military planes produced in the build-up year of 1952. With military production of this magnitude, we should have a pretty healthy military aviation industry, assuming decent profits levels are established for the industry as a whole.

On the subject of profits, the rate for the aircraft industry was something around 2% in 1952, quite low when compared to the capital needs of the industry and to profit rates in other industries. The death of the excess profits tax should help the industry, and I hope that profits of 4% or more will prevail in the future for those companies which are really contributing with superior products. * * * So much for the military.

Commercial Aircraft

This country's commercial aircraft equipment has led the world since the late '20s. I am firmly of the opinion that we still lead the world, despite the handful of gas-turbine transports now being produced in England. While on this subject, let me assure you that in my opinion this country is not behind Britain in jet technology. We were behind them some years back, but we have now not only caught up but I am convinced we have surpassed them. Was it the United States or England that had a fighter which could tangle with the Russian Mig? You can bet your bottom dollar that if England had had planes that were equal to the job, she would have had them in Korea—but she just didn't have them. The U. S. North American F-86 Sabres took the Migs on and for a kill record of some 13 to one. In medium bombers, has England got any? No! She has some prototypes, but the U. S. has squadrons of B-47s flying. In heavy bombers, England hasn't even got a project comparable to our Boeing B-52. And in engines, this country has had the Pratt & Whitney J57 "in the 10,000-pound class" in production for a year now. England has no engine in production that matches the J57's high power and its low fuel consumption, and, believe me, the powerplant is the real touchstone of superior air performance. England has commercial jet transports, and we do not. We certainly have the knowledge to produce excellent jet transports—it would be a much easier job than the eight jet B-52—but it's a question over here of good old dollars and cents. Contrasted to the government-owned and operated British airlines, our own airlines are stockholder-owned, and you know how competitive they are. They cannot afford to buy a fleet of jet transports unless they are sure they can make them pay, and our airframe manufacturers cannot afford to put a jet transport into production unless they are assured of a quantity run. BOAC, I believe, has some eight Comets now —and I understand there have been less than 25 Comets built altogether. Between Lockheed and Douglas, I wouldn't be surprised if they aren't building pretty close to 25 transports every couple of months—and bigger ones than the Comet, too—and a lot more economical per passenger mile.

Nevertheless the British have reason to be proud of the Comet and the role that aircraft and Great Britain has played in pioneering a vital new advance in swift commercial transportation. But all the chips have not been put into the pot yet. As you perhaps know, Boeing's prototype jet transport will be flying experimentally in six months or so. It is designed to carry about twice the number of passengers the Comet now handles, and fly them non-stop across the Atlantic. The Boeing just might stir things up. At any event, we can wait and see. And certainly we would be short sighted to count Douglas and Lockheed out at this early date.

The broad future for commercial aircraft looks bright. In my opinion, it just can't help but be. Look how far it has come in the past short twenty years! Just the spare parts business alone for commercial operation is becoming big business. In the Pratt & Whitney engine division of my own company alone, commercial spares sales last year were somewhere around $50,000,000—and that ain't hay—even with an inflated dollar. I feel quite sure that those of us here today who are still around twenty years from now will again be astounded at the progress made in the 1955 to 1975 period.

In the next 20 years air routes spanning the continents and oceans will surely be flown by gas-turbine powered transports cruising at almost double today's 300-325 mph. speeds. Helicopters of bus-like capacity will link the cities of every region as closely together as the motor bus does today. Freight will be flown as frequently as passengers are now carried. These forecasts simply are inevitable. The momentum of today is bound to bring them through.

So to sum up, given the proper competitive environment, I'd think that the long-range future of the commercial airlines and of the aircraft manufacturing industry as a whole looks pretty good at this time.

Aircraft, Primarily an Engineering Business

I was also asked to comment specifically on United Aircraft. As I said before, the aircraft business is primarily an engineering business—superior designs are all-important when coupled with the proper timing. I honestly think that all of the United's divisions stack up pretty well in this respect at this time. Pratt & Whitney has the "10,000-lb. class" J57, which would seem to be a pretty good and competitive engine. I think it speaks for itself that it has been tapped to power, for the Air Force, the supersonic North American F-100; the McDonnell F-101; the Convair F-102; the Boeing B-52; and, for the Navy, the Douglas F4D fighter and A3D bomber. I can also tell you that it is in other planes still on the classified list. Pratt & Whitney is also still very much in the piston engine business and, of course, isn't stopping its jet development with the J57.

Our Hamilton Standard division is still the leading propeller company in the world and has made a tremendous leap into the general aircraft accessory field. Don't count them out because of the approaching fall-off of propeller volume with the wider use of jets. They are still building many propellers, and in the accessories field, just as one instance, their fuel control and starter for our J57 jet represents as many sales dollars per engine as the propeller on a DC-6. And a B52 has eight—not four engines.

Down in Texas, our Chance Vought subsidiary seems to be in about the best position it has enjoyed in years. It has volume production on the Navy Cutlass and its missile, the Navy-sponsored Regulus. Now don't think of Regulus as a 4th of July skyrocket. It is a pretty big article—in dollar volume one Regulus is equivalent to about two Corsair fighters. Then Vought has before in the new Navy F8U jet shipboard fighter which we believe is a pretty good design. Of course, it will be some years before it can be in production, but it looks good. Vought's present satisfactory outlook makes possible our plan to separate it from United sometime later on this year, and establish it as a separate corporation.

And then United has the Sikorsky division. Sikorsky's leadership in the helicopter field must be apparent to all. They've got a pretty big plant now. We are confident enough in their future to build them a second plant—bigger than their present facilities—which should mean something, for we don't go around paying fifteen to twenty million dollars of our hard earned dough for land, bricks and mortar unless we are pretty confident of its profitable use. Commercially—and by commercially I don't mean the private owner, but rather public transportation—the helicopter may do some pretty extraordinary things in the next twenty years. In fact, a 35 to 40 passenger commercial adaptation of the recently announced S-56 might stir up something important in the not-too-distant future. In fact, this commercial S-56 just might be the DC-3 of vertical lift airframes.

Now I've been pretty optimistic about the long-range future of the aircraft industry and about United Aircraft. For any given short period, anything can happen in the aircraft business and usually does. When things look the worst, they usually somehow get a lot better and sometimes very quickly. When things look pretty good, that's the time to start ducking and weaving because sure as shooting something is about to happen—or has happened—only you don't know about it yet. That's why most of us in aviation would prefer, rather than to master the crystal ball, to learn how to do that fabulous old Indian rope trick.

Simpson, Emery & Co. Formed in Pittsburgh

PITTSBURGH, Pa. — Simpson, Emery & Company, Inc. has been formed with offices in the Plaza Building to act as underwriters and dealers in corporate and municipal securities. The new firm will be a member of the Pittsburgh Stock Exchange.

William G. Simpson John L. Emery

Officers are William G. Simpson, President and Treasurer; John L. Emery, Vice-President; and D. K. Buchanan, Secretary. Mr. Simpson, a graduate of Wharton School, University of Pennsylvania, has been with H. M. Byllesby & Company since 1927. Mr. Emery and Mr. Buchanan have also been with H. M. Byllesby and Company for some time.

Allied Research & Service

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Allied Research & Service Corporation is engaging in a securities business from offices at 50 Congress Street. Officers are Henry T. Dunker, President; Stanton B. Priddy, Treasurer, and John M. Hall, Secretary.

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A Reappraisal of the 1954 Business Outlook

By KENNETH D. ROSS*
Stein Roe & Farnham, Investment Counsel
Chicago, Ill.

Mr. Ross, stating that it is inconceivable investors would bid up stocks, as they have done in last few months, if they shared fears of a deep depression, discusses what may be the bulwarks against an economic collapse. Sees Federal Budget situation slightly more favorable, but holds, though aggregate consumption expenditures will be almost as large as last year, there will be less purchasing on credit and a drop in durable goods outlays, offset by expansion in outlays on services. Stresses current favorable financial climate as sustaining force, while picturing inventory situation as uncertain element. Does not look for a quick recovery.

As all of you know, Colin Clark last week reiterated his pronouncement that the United States faces a serious business recession. The British economist had made this forecast in the Manchester "Guardian" last November. Now he repeats it here in New York.

Kenneth D. Ross

So far as I can determine, Mr. Clark does not possess information which has not been considered by the rest of us. He bases his conclusion on the belief that the recession will feed upon itself. He compares economic events to a chain reaction in physics.

Nearly every observer in this country grants that there are weaknesses in the economic structure today. We concede that ordinarily these weaknesses would have a compound influence which might be sufficient to bring about a real depression. However, most of us maintain that there are also important elements of strength in the situation and that these can be relied upon to prevent the disaster Mr. Clark foresees.

Obviously the stock market agrees with this majority view. It is inconceivable that investors would bid up the prices of stocks as they have done in the last few months if they shared Mr. Clark's fears.

Nevertheless, Mr. Clark's reputation is so great that one cannot shrug off his conclusions. It is only prudent to reappraise the situation and to attempt to ascertain whether the bulwarks against depression are actually as strong as we have maintained.

This is a very convenient time to make the reappraisal since definite knowledge of the tax and spending plans of the Eisenhower Administration is now at hand.

Budget Aspects

In the budget presented last week, consolidated cash receipts balance expenditures for the fiscal year to end June 30, 1955, just as they are expected to do in the current fiscal year. There is a so-called budgetary deficit in both periods, but it is overcome when the transactions of the trust funds and agencies are included.

Receipts and expenditures are both to total $75 billion in the year ending June 30, 1954. In the fiscal year ending June 30, 1955 receipts are expected to drop to $71 billion and expenditures are also to be reduced to $71 billion.

The decline in expenditures is all in defense and related activities. Very little change in non-defense spending is projected.

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

I am willing to accept the estimate of expenditures for national defense. The drop is in line with my expectations and seems reasonable if the Communists do not commit any new aggressions. This estimate indicates that defense spending in the fourth quarter of 1954 will be about $3 billion below the current annual rate.

However, I do not believe it will be possible to hold other expenditures to the present level. To be sure, the budget figure is not quite as low as it appears. The government expects to sell assets owned by the RFC and Federal National Mortgage Association, to cause the banks to carry Commodity Credit Corporation loans, and to raise postal rates. These receipts are deducted from the expenditure totals, but they do not have the same economic impact as real deductions in spending.

Even after taking account of these items which make the budget look better than it really is, I think the spending figures are too low. This is chiefly because they have been prepared on the assumption that business activity will remain as high as in 1953. In my opinion, this is not a reasonable expectation.

If business continues to drop—and I believe it will—spending of certain types will certainly rise. The costs of agricultural supports will mount, the postal deficiency will increase, and payments for unemployment compensation and other relief will expand. Also, new appropriations for public works and other activity-sustaining measures are likely.

The budget estimate of receipts appears to me to be much too high. It assumes that incomes and profits will continue to be fully as large as in 1953. Furthermore, no additional reduction in individual or corporate income tax rates is contemplated, and excises are not to change. The effect of minor revisions in income tax deductions and credits is considerably more than offset by the higher social security rates which went into effect the first of the year.

Most of us had concluded that tax cuts and a step-up in non-defense spending would be strong props to the economy. If I thought that additional reductions in tax rates would not be forthcoming and that governmental savings would continue to be pushed, I might revise my ideas about the business outlook.

However, I do not believe that the fiscal situation is actually very much different than it appeared a month ago. If the business decline continues, Congress and the Administration will agree that lower taxes are called for and will quickly introduce new spending plans. At the same time states and municipalities will enlarge their outlays and thus offset most of the drop which takes place in military expenditures.

Another rather strong element, as I appraise the business outlook for 1954, is in expenditures for items of personal consumption. Purchasing power may not suffer much and there seems reason to believe that the average individual will save no more than he did last year.

The fact that the increase in social security rates has been allowed to stand is clearly a minus item which a month ago I did not think would happen. Nevertheless, I still believe that the decline in real incomes will be relatively minor. Spending power will unquestionably be bolstered in three ways—lowered taxes, increased benefits under social security and other relief measures; and reductions in the operating profits of corporations. Corporations will make less per unit of output, and individuals will get much of the benefit in the form of higher hourly wage rates and lower prices for the things they buy.

The Course of Saving

As analysts all realize, one treads on controversial ground in attempting to draw conclusions concerning the course of saving. There are differences of opinion as to saving concepts, and about the factors which cause the amount of saving to rise or fall. Important discrepancies are found in the figures themselves. No one has been able to resolve these difficulties to my satisfaction. All I could do was to list eight elements which will have important effects on saving this year. Since four of the eight factors pointed to a reduction in the saving rate and four favored greater saving, I concluded that the best guess was that there would be no important change during the coming year.

Although I see reason to believe that aggregate consumption expenditures will be almost as large this year as last, I think there will be important changes in the type of buying and in the kind of articles bought. Purchases on credit will be less, and cash buying higher. Spending on durable goods will probably drop decidedly, whereas outlays for services will continue to expand.

Government expenditures and consumer buying together account for 86% of the current gross national product. With so much of the total reasonably firm, the other 14% must get pretty bad if a very serious situation is to result. Now what about that remaining 14%? How about residential construction, capital expenditures, and inventory shifts?

Residential construction looks a little better than it did a month ago. Housing starts have advanced to an annual rate of nearly 1,100,000 units, which insures good activity for some time to come. Mortgage funds are becoming increasingly plentiful and money is getting cheaper and cheaper. A further liberalization of governmental guarantees is in process. Under such conditions I am confident that home building will not fall off much.

Expenditures for plant and equipment have dropped very little to date, and there is no doubt that outlays will be fairly well sustained through at least the first half of 1954. The principal uncertainty lies in the course of spending thereafter. Although some basic considerations point to a sizable decrease, important sustaining forces are present and I believe they will be powerful enough to prevent a serious diminution in capital expenditures.

Favorable Financial Climate

Among these forces I would mention first the favorable financial climate. The supply of loanable funds is ample and borrowing can be done on advantageous terms. The working capital of corporations is increasing and most companies will be in a strong current position once the pinch of tax payments in the first half of 1954 has been overcome. Earnings, aided by tax reduction, promise to hold up reasonably well. Depreciation charges are growing—in the fourth quarter of 1953 the allowance for capital extinguishment was equivalent to two-thirds of all capital outlays.

Then I am impressed with the continuation of growth in many industries, and the size of expenditures which will be spurred by innovation and decentralization. Scientific advance is accelerating and productive facilities are becoming more and more complex and expensive.

Another important factor in sustaining capital expenditures is the growing institutionalization of American industry. The owners and management of big business recognize clearly that their own interests are closely identified with the general welfare and appreciate the advisability of subordinating immediate advantage in favor of long-term benefits. The recent General Motors announcement is an example of what I have in mind.

Now I come to inventories. In this connection it is important to note that nearly all of the business downturn which has taken place to date has been due to inventory changes. Stocks piled up in the second quarter of last year after which the rate of accumulation began to moderate. The most recent information indicates that inventories are now falling. If it had not been for this lessening and finally cessation of stock increase, business today would be just about as active as it was in the middle of 1953.

I am convinced that inventories are higher than they need to be. Furthermore, the excess is concentrated in the durables where prospective demand is least assured. Some progress is now being made in working off stocks, but it is only a small beginning.

In my estimation the most uncertain element in a forecast made today is the rapidity with which these excess stocks will be cut down and the ultimate extent of inventory reduction. There does not seem to be much doubt that the rate of inventory liquidation will accelerate, particularly since some corporations will need money to meet heavy income tax payments during the first half of 1954. However, I think it unlikely that stocks will be thrown overboard. The financial squeeze will abate after the middle of the year and there is little fear of a collapse that would produce heavy inventory losses or make goods unsalable.

Only Moderate Decline in 1954

In looking over the situation at the end of 1953, I concluded that business would fall only moderately in 1954. I agreed with the majority of observers that industrial production might drop about 7% from the level of the final quarter of 1953 and that the gross national product might suffer a further decline of some 3½%.

Now, a month later, I see no reason to alter that appraisal of the outlook. On the one hand governmental actions may not be quite as strong a support as seemed probable at the end of 1953. Against this is evidence that residential construction is holding up a little better than expected; also that inventory liquidation is already underway so that the coming drop in stocks may not represent as severe a change as previously anticipated.

The increase in social security rates will tend to reduce individual incomes, although probably not enough to bring about any great shrinkage in personal consumption expenditures. Outlays for plant and equipment will decline, but reassuring news about the continuation of extensive capital programs is being released.

While I do not subscribe to the proposition that a real depression is in store, neither do I look for a quick recovery. Unless the foreign situation gets worse government expenditures are not likely to increase. Consumers will not have the surplus incomes with which to initiate a recovery, and little progress will have been made in correcting excesses in other sectors. The supply of housing will have been built to a total high in relation to the number of families, and plant capacity will look even more adequate than at present. Even months hence inventories will still be in excess of requirements.

In my judgment we may expect a protracted period during which activity is below the present level. Business probably will not be really bad, yet unsatisfactory in comparison with the boom of 1953. The Federal Government will run big deficits and these will come to be accepted as a matter of course.

Operating profits of corporations have already dropped, and additional decreases are in the offing. The declines in net are being cushioned by the removal of excess profits taxes but nevertheless will be substantial. Furthermore, they will vary widely in severity. Some enterprises will sustain net losses, whereas others may not suffer at all.

Additional depreciation allowances will be granted to corporations but I am inclined to doubt whether the normal and surtax rate will be decreased from the present 52%. As a matter of fact, I question whether a reduction in the rate would make much difference so far as the final net is cerned. We know very little about the incidence of corporate income taxes. Nevertheless, I believe that under 1954 conditions most of any tax reduction would be passed on to the consumer.

Credit will be very easy this year. The effect of declining business and falling inventories will be accentuated by the policies of the Administration and the Federal Reserve Board. There appears to be a widespread belief in Washington that a recession can be halted if measures are taken to increase the money supply. Although I do not believe that it will be possible to effect the desired rise in the quantity of money, the attempt will help to bring about a surplus of funds, and to produce excessively low interest rates, both short and long term.

Probably you should not count on any substantial reduction in the tax on dividends. It is likely that the proposal contained in the budget message will be so watered down that only a gesture toward elimination of double taxation of corporate profits will remain.

The level of the stock market is not high relative to earnings as I project them. Furthermore, dividend yields look attractive even without tax exemption. From here on swings in stock prices will probably be geared to business developments. In other words, the course of the market will depend upon whether the pattern which unfolds is better or worse than the majority forecast.

As I have said, I am not very sanguine about the chances of an early business upturn. This view seems to be a departure from the prevailing opinion. My interpretation of recent market action is that it presupposes that the recession will be neither very deep nor very prolonged. If investors are disappointed in these expectations a reversal in trend is likely.

Of one thing we can be certain—1954 will be a challenging period for the investment analyst. The changing economy will bring about wide divergence in the earnings and market performance of individual stocks, and will afford unusual opportunities if one can but recognize and act upon them.

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Economic Progress Of the Free Nations

By HAROLD E. STASSEN*
Director, Foreign Operations Administration
Executive Office of the President

After describing briefly the status and operations of the Foreign Operations Administration, Mr. Stassen reviews economic progress of the free world in 1953 and gives an appraisal of the present situation. Among the favorable developments he notes: (1) curbing, as a whole, of inflationary pressures; (2) re-establishment of productive capacity, and (3) added military strength. Says 1954 will be year in which workers of the free nations will have most significant advance in real wages since the war, and, after adjustments to a peacetime situation are ironed out, in a comparatively short space of months, there will be an upward development of total economic activity within the United States and other nations.

The Foreign Operations Administration in President Eisenhower's Administration, in the Executive Branch of our Government, is concerned in a direct way with the economic, defense, technical, and East-West trade aspects of our United States activities. In this respect we carry on under the foreign policy guidance of the Secretary of State, the defense policy guidance of the Secretary of Defense and through him the Joint Chiefs of Staff, and the monetary policy leadership of the Secretary of the Treasury. We operate under the direct administrative supervision of the President. In that context, we endeavor to implement the policy decisions of our government.

Harold E. Stassen

We are currently active in four major regions of the world from a standpoint of association in developing defense, economic or technical programs. The four regions are: Europe, the Near East, and Africa, the Far East, and Latin America. Our fifth major concern has reference to the Soviet area, in the East-West trade administration. There are other facets of our concern—the matter of the refugees and escapees, the matter of various resettlement and related program activities. From this situation, with missions currently in 53 of the nations of the world, we endeavor to follow rather closely particular economic and defense developments.

Free World Economic Progress

From the standpoint of this preliminary statement, I believe I should say to you that the current reports coming in from around the world indicate that the year 1953 has been, for the free nations of the world, the year of greatest gross product of any year in history. By that I mean it is quite clear that more goods and services were raised, produced, manufactured, and mined during 1953 among the free nations of the world than in any previous year. With that higher gross national product, there came these direct consequences: The peoples of the free nations of the world were better fed and better clothed during 1953 than in any previous year. Following from it too, it is important to observe that the currencies of the free nations as a whole approached complete convertibility at a very rapid rate during 1953. The gold and dollar reserves behind those currencies increased in a rather sharp degree, including of course some increase in gold reserves that came from gold sent out from the Soviet Union. In these combined developments, we closed 1953 in a relatively strong economic position among the free nations.

Let me hasten to add that that does not mean that there are not continuing, very serious, and important economic problems in these various regions. Nor do I mean to indicate that it is a matter now for relaxation of economic concern. Far from it. Rather, I am trying to place a perspective from which we begin to think of the year we are now entering. I think there has been a tendency to so concentrate upon the extreme economic crises that followed in the wake of the tragedy of World War II that very few realize the extent of the progress that has been made in re-establishing economic strength, trade, and standards of living among the free nations. In fact, many of the economists of the world — within our own country and the other countries—have not yet fully appreciated what has actually resulted from the energy, the ingenuity, the exchange, and the development among the free nations.

At the same time, there has been a very significant development in the defensive and military capabilities of the free nations. So much of what was begun in the period marked by the opening of the Korean hostilities—that is, the matter of devotion of energies and productive capabilities to military means — began to reach fruition in 1953. The balance of supplies began to come into being to a very marked degree, so that the defensive forces in being and the means of supporting those forces reached a high state during 1953.

Appraisal of 1954

With that very broad background sketch let me turn briefly to an appraisal of 1954. It is my view, based upon our current observations and reports from around the world, that 1954 in the free nations as a whole will be a better year than 1953. I realize that that is a far-reaching statement. Let me fill it in a bit at this time.

The developments that have occurred during 1953—this curbing as a whole of inflationary pressures, the re-establishing of productive capacity, the reaching of a posture of very substantial military strength—placed together and related to the new policies that have been unfolding in President Eisenhower's Administration and more recently in his State of the Union, Budget, Economic, and Special Messages combined to place us, as I see it, in this situation.

The year 1954 can, and I believe will, be the year in which the workers of the free nations of the world have their most significant advance in real wages of any year since World War. II. Currently, production among the free nations is moving a bit faster than current consuming power as measured by current purchasing power. That current production, in almost every respect, has a capacity for rather easy additional expansion. So that at this point with inflationary pressures leveled off, with good inventories and supplies of raw materials, textiles and food in the free world area as a whole, and with the stability that is present in the economy of the free nations as a whole, the conditions are right. This is the time when an advance in wages of the workers of free nations can take place without reflecting itself in new inflationary pressures or the loss of those advances by the inflationary consequences. I believe there is an increasing recognition of this fact currently throughout the world.

This progress, of course, takes place first in those countries with the strongest balance of payments situation. In other words, the methods by which workers of the free nations as a whole—engaged in mining, manufacturing, and transporting of goods and services around the world — obtain their dividends from increased productivity and their return in improving standards of living must come about in a way in which those nations with the strongest balance of payments positions can take the lead. As internal consumption expands and with it there is an expanding flow of trade, the whole free world can move forward in an upward progress in standards of living and enjoyment of the consequences of the tremendous production which comes with the increased freeing up of economies, with all that means in initiative and ingenuity. I sense, from current and recent indications from many nations, that that process is now coming forward.

Long-Range Outlook Better

Obviously, there are many policy problems that come up in all countries that can affect this progress and there are always events beyond the scope of definite prediction or anticipation that can completely upset calculations and prognostications of this kind; but as we see it, in the opening of the second month of this second year of President Eisenhower's Administration, I think there is ground for this kind of an approach to this year. That means inherently — as is reflected in President Eisenhower's analysis and his Economic Report — going through an adjustment that inevitably occurs when you shift from an economy devoted to a successful conclusion of conflict such as in Korea to a longer-pull situation, that adjustment will move through in a comparatively short space of months and then the upward development of total economic activity will be a favorable factor within the United States and in other nations in the world.

I trust you have observed in the President's messages that complete and basic conviction that the economic health of the other free nations and that of the United States are inseparable. Each is affected by the other. From that basic conviction there springs a whole process of educational information and of necessary specific steps that are related to it—the process out of which the Randall Commission made its report, which will now be debated, and the steps by which not only the Congress but the Executive Branch and the whole free enterprise area of our country move upon our joint problems.

Background of Pending Problems

I said that I did not wish any part of my opening report to indicate that the problems are all over. Let me sketch a background of some of the problems.

Whenever you have a situation in which the productive capacity begins to run a bit ahead of current consuming power, then those elements of productive capacity that have been expanded most strenously for purposes of war or that by their nature expanded most easily tend to be out in the front on the producing side and that reflects in the raw material situation. In this readjustment, we are — world-wide and in the United States—moving upon the matter of such items as tin, rubber, lead, zinc, beef, wheat, and cotton which moved out ahead in response to the requirements of the whole world conditions in the wake of World War II, the necessities of the Korean War, and the anticipations of what that might mean. The adjustments in those instances are the most severe and need the greatest attention. None of these problems, as I see it, are unmanageable, even though no one can at this time, on behalf of the free nations, chart the complete answers in any of these major materials.

The other factor, of course, is that in those countries that are most dependent upon earnings from those materials that tend to outrun the productive picture, the economic adjustments and the tendency to experience shortages in balances of payments and inflationary effects is most severe. But as these problems are addressed in the meetings of the Organization for European Economic Cooperation, in the meetings of the Commonwealth Finance Ministers of the sterling area, in our own considerations, and in the capitals of the nations of the world, I am optimistic that we can move through these problems and will have in 1954 a slightly better year than this best year thus far, 1953, barring unusual, unanticipated and clearly exceptional circumstances that can always cut across a world picture.

*An address by Mr. Stassen before the Foreign Press Association, New York City, Feb. 1, 1954.

Montgomery Buys Realty Trust Co.

DALLAS, Tex.—W. Ray Montgomery, Dallas investment banker, has announced purchase of the remaining one-half of the capital stock of the Realty Trust Company from Dallas Rupe & Son.

Mr. Montgomery, who became President of the firm in 1952, now holds all of its stock. Headquarters of the 35-year-old company are in the Kirby Building.

Realty Trust Company, holding the oldest charter of its kind in Texas, has complete trust powers and will continue in the financing of corporations and in assisting businesses in their expansion programs, Montgomery said. During the past year the company has handled several million dollars in leasing and sale of properties of national chains, including the Safeway Stores, Inc.

Mr. Montgomery, in addition to Realty Trust Company, is President of Mid-South Investment Company, which handles investment of stocks in other corporations and banks. He is also President of Northwood Oil Company which handles financial transactions with oil companies and the purchase and sale of oil payments. This company has been instrumental in the financing of more than 2,000 producing oil wells.

American Exhange Elects C. J. Kershaw

Charles J. Kershaw partner of Reynolds & Co., was elected to a one year term as Vice-Chairman of the American Stock Exchange governing board at the group's organization meeting, according to an announcement by Edward T. McCormick, exchange President.

Charles J. Kershaw

Mr. Kershaw, an exchange member since 1940, has, with the exception of 1952, served on the board of governors since 1945. He was first elected Vice-Chairman of the board in 1951. He entered Wall Street in 1931 in the employ of Reynolds & Co. and became a partner in that firm in 1940.

Governors who received appointments as committee chairmen at the organization meeting include: John J. Mann, Board Chairman who will head the Executive Committee; O. F. Browning, Committee on Securities; Albert G. Redpath, Auchincloss, Parker & Redpath, Committee on Outside Supervision; James R. Dyer, Gates & Dyer, Committee on Floor Transactions; Charles W. Halden, H. L. Buchanan & Co., Committee on Finance; Sterling Nordhouse, Committee on Admissions; Charles J. Kershaw, Committee on Arbitration; Walter T. O'Hara, Thomson & McKinnon, Committee on Public Relations; George C. Donelon, Realty Committee and Joseph F. Reilly, Committee on Business Conduct.

Manufacturers Trust Appoints 2 Officers

The appointment of Harold F. Fuller as Assistant Vice-President and Eugene W. Garrison as Assistant Secretary of Manufacturers Trust Company has been announced by Horace C. Flanigan, President.

Mr. Fuller came to Manufacturers Trust Company in 1928. He served as Officer in Charge of the 144th Street office from 1929 to 1947 and was appointed an Assistant Secretary in November, 1951. Mr. Fuller will succeed John C. Lewis as Officer in Charge of the Melrose office, 360 East 149th Street, the Bronx. Mr. Lewis was recently appointed a Vice-President of the company and is now in charge of its 14 offices in the Borough of Queens.

Mr. Garrison came to Manufacturers Trust Company in April, 1944. He had been in charge of the credit department at the Melrose office and in 1952 he was assigned to Branch Loan Administration, Bronx Division.

First California Adds

LOS ANGELES, Calif.—Wells McTaggart, David Meherin, Norman Rothschild, Bertram L. Spellmire, Craig H. Taylor and James W. Zink have been added to the staff of the First California Company Incorporated, 647 South Spring Street. Mr. Taylor was formerly with Hannaford & Talbot. Mr. Zink was with Walston & Co.

CORRECTION

In the Financial Chronicle of Feb. 4 in reporting that J. C. de Johnette had opened offices in Chicago to engage in the securities business, the address was shown as 236 South Cottage Grove Avenue; this should have been 6236 South Cottage Grove Avenue, Chicago.

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Consumer Credit—A Dynamic Force in American Banking

By PHILIP WOOLLCOTT*
Chairman, Instalment Credit Commission, ABA
President, the Bank of Asheville, Asheville, N. C.

Mr. Woollcott points out that despite indications of reduced consumer earnings and an upward trend of consumer credit, banks in this class of credit have situation well in hand. Warns, however, the credit course has changed, and common sense dictates that bankers should stick to a specific and sound loan policy, regardless of pressures of competition. Lays down rules for consumer credit, and upholds role of consumer credit in national economy. Urges banks recognize their responsibility to meet credit requirements of consumers and therefore to broaden their lending activities.

One of the jobs of the Instalment Credit Commission of the ABA is to review from time to time the economic and business conditions affecting credit and to give member banks the benefit of this review. Until recently, the banks had enjoyed a long period of years in which the extension of credit and the collection of loans were relatively simple and easy. In this period of rising economy, with incomes and spending power increasing continuously, there were few problems to test the real capacity of credit men and the wisdom of their banks' credit policies. But that comfortable picture has been changing for the past year, and we now find ourselves in a new period as far as credit extension is concerned.

Philip Woollcott

Last year, the Instalment Credit Commission of the American Bankers Association began to feel that the statistical data gathered by various bank supervisory agencies were inadequate and generally too late to be used as the sole basis for formulating changes in credit policy. A need was felt for some more down-to-earth method of gathering fresh information at the grass roots, directly from bankers themselves throughout the entire country, and in regional or area groups rather than in one countrywide total. The Advisory Board to the Instalment Credit Commission was formed to gather such information. Two bankers from each state, familiar with local business and economic conditions, as well as being leaders in the consumer credit field, were appointed to the Advisory Board. The state members in each Federal Reserve District elected one of their members district chairman. Last fall, these 100 bankers went to work, each in his own back yard, to learn all they could, through direct communication with other bankers and businessmen, about current business and economic conditions in their own states, with particular emphasis on consumer credit. This study included a careful survey of instalment credits and the inventory situation of dealers. Each of the 12 district charmen made a written digest of the results of the studies made by his associates in the several states and reported this in person at a meeting of the district chairmen held in Washington in November. Following these reports, the group met with the Board of Governors of the Federal Reserve System and some of their associates and exchanged this grass-roots, fresh-from-the-firing-line information for the latest Federal Reserve statistical information relating to consumer credit. The exchange and pooling of information was informal, purely objective, most cooperative, and felt to be extremely beneficial to all concerned. A similar meeting was held the next day with the directors of the Federal Deposit Insurance Corporation, some of their associates, and representatives of the Comptroller of the Currency's office. The exchanges and free discussions in this meeting were equally helpful.

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

Here is a brief—and very simplified—summary:

(1) Overtime pay appears almost universally out, meaning a reduction in take-home pay and purchasing power to that extent.

(2) In some areas, unemployment has begun to appear, resulting in a few sour spots, with some dealer mortality and repossession of consumer goods.

(3) All reporting bankers agree that production on the whole has overtaken consumption. One result of this for example, has appeared nationwide, in the heavy pressure on automobile dealers from their factories to absorb the remainder of 1953 production, or overproduction if you prefer. Failure among automobile dealers has begun to appear, that is to say among the less experienced dealers, but a healthy sign has been the resistance of many dealers to taking more than their agreed quotas of '53 models and the cancellation or reduction by banks of their commitments to pay wholesale drafts. The year-end oversupply of '53 models plus the already excessive used-car inventories has brought back real competition with its many price-reduction devices, including the blitz sale. Dealer pressure has begun to mount on lenders for smaller down-payments, narrower equities, and longer terms; but here again banks have resisted and stood out for sounder terms and better credits.

(4) Instalment delinquencies appear in good shape—just slightly above a year ago—but everybody reports that much more effort is now required and more expense to maintain existing low ratios.

(5) One of the happiest things that has appeared from all sections of the country is a thorough awareness of changed conditions—an awareness that has resulted in positive action already having been taken by banks to clean up sour situations and to bring their credit policies into realistic line with current conditions.

To put it briefly, banks have the situation well in hand — so well in hand that in the general discussion that followed these meetings question arose as to whether banks might not become too conservative and fail to provide adequate instalment credit facilities at a time when the need might be great. All members of the Advisory Board present were definitely of the opinion that banks would provide adequate credit—that they would not adopt ultraconservative credit policies which could damage our economy.

Credit Course Has Changed

However it is perfectly true that the credit course has changed. Common sense dictates that we should weigh carefully the current factors affecting instalment credit and determine upon a specific and sound loan policy which we should stick to, regardless of the pressure of competition. In the field of consumer credit policies should be shaped with these thoughts in mind:

(1) Credit should be based on the character, ability, and willingness of each individual applicant to pay, rather than on collateral values alone, or on reserves or on dealer guarantees.

(2) In the financing of automobiles and appliances the down-payment should be sufficient to establish a true equity either in cash or by trade-in.

(3) The term of such credits should be sufficiently short to protect equities from depreciation, misuse and obsolescence.

(4) Dealer situations should be reexamined constantly, with careful inspection of floor-plan items and immediate follow-through of irregularities of any kind.

(5) A strong collection effort should be maintained continuously, as delinquencies are one of our best indexes of control.

Now back to the question as to whether such credit policies would unduly restrict the flow of consumer credit and the distribution and production of goods. The question is a valid one. Will a dealer failure here or there make us sour on dealer business? Will we set a hard and fast policy of eliminating all small or weak dealers? Will a good fat loss due to fraud or to our own carelessness make us cut out a whole type of business? Will greater collection problems and higher collection expense make us too conservative? Will we be too harsh on the borrower whose income is reduced? Will we forget that consumer credit had its origin in loans to aid those burdened with debt? Will we be willing to take only the cream, hoping that others will care for the remainder?

Other types of lenders in the instalment field may be able to do so, but it is not that simple for the banks. We have a responsibility to the factories that produce consumer goods, to the distributors of these goods, to the retail dealers who sell them, to the individuals who buy them, and to the individual borrowers who come directly to our banks for a multitude of purposes other than the purchase of consumer goods. These all are our customers, and as such are our responsibility. We have a responsibility to our community—to our economy. During the past decade our banks have developed a large volume of consumer business. Now that times are changing, we cannot escape the burden of working with industry and with our customers and helping them to find the right answers to their problems—just as we are trying to find the right answers to our problems in these changing times. When we take on customers for our banks, we are making a two-way tie with them. It is like the old-fashioned marriage — for better or for worse. Not like the new-fashioned marriage which may be dropped with any change of fancy.

Increase in Instalment Credit By Banks

Until very recent years, the instalment credit activities of banks represented an insignificant part of their operations and produced only a small fraction of their loan portfolios. But in recent years, consumer debt has grown larger and larger and the consumer banking activities of banks have moved well beyond the stage of being either small or insignificant. The most recent Federal Reserve Bulletin shows total instalment credit outstanding of $21 billion with the commercial banks holding almost half of this total against their total loans of all kinds of $67 billion. Statisticians and economists argue endlessly over what should and what should not be included in consumer credit; but no matter which way you look at the figures, the size of the total consumer debt and the amount of this debt held by banks is substantial in size, large in proportion to totals, and therefore worthy of the greatest consideration of top management in the making of policies relating thereto.

This large amount of instalment credit is tremendous in its economic impact. It has been one of the great contributing factors to the high scale of living in America. A few decades ago, production credit and distribution credit stood alone as acceptable forms of credit; but today consumption credit has thrust itself forward as their equal. Consumption credit has become so integrated with distribution and production that today the three form an equilateral base for the miracle of American prosperity. Whereas some years ago banks could drastically change their instalment credit policies with an eye only to whether or not they chose to do so, today a different situation exists because a drastic tightening of instalment credit policy nationwide would critically disrupt consumption, distribution, and production. The determination of instalment credit policy is no longer just a departmental matter but one which demands the most statesmanlike consideration of each bank's top policy-making group.

Not the least of the factors in any consideration of consumer credit policy are its tremendous social and political implications. Whether we like it or not the subject of consumer credit is in the spotlight. For the past year in particular, it has been the number-one subject of debate among economists, financial writers, bankers, supervisors, lawmakers, and others. Newspapers, magazines, and the general public go for it avidly. The spotlight is beating down so furiously that the slightest word by any authority on the subject—or by almost any one who cares to offer such a word—is headlined. At every session of Congress, the question of control of consumer credit invites a skirmish between its proponents and its opponents. It has created factions among congressmen themselves. It has created such questions as this: If Federal controls can be used to increase down-payments and to shorten terms in the hope of reducing the available supply of credit, cannot the reverse of this power be used? Namely, cannot the holders of this regulatory power soon say, if they feel credit should be expanded, that lenders must reduce down-payments and extend longer terms—and I mean must—must extend, not just have the privilege of extending. How far from this point is it to a government lending agency to supply instalment credit on the maximum terms set by the regulatory powers if the banks do not fall into line? Government agencies are already operating in many fields of credit. Why not in consumer credit? Such questions, gentlemen, require you to give the most careful thought and consideration to the position you will take in all policies relating to consumer credit.

Banking needs a broad understanding on the part of the public if it is to receive fair political treatment. No single activity of banks has brought greater public understanding and support of banking than the wide and popular use in recent years of banking facilities by individual people, the man on the street, in the shape of instalment loans, the financing of automobiles and appliances, the operation of pay-as-you-go checking accounts, and other banking services redesigned and streamlined for popular use.

All banks, not just a limited number as at present, should recognize and carry out their responsibility to meet the total national requirements of consumers. They should broaden their operations in this field until they include the financing of all types of consumer goods and services—not just a few chosen types—until they include individuals and dealers in all areas—not just in popular centers—until they include all banking services fitted to the needs of individual men and women. Such a development of the full potential of consumer banking will create a still wider and fuller public understanding of the true function of banks—of their inseparability from the nation's economy — and simplify the political problems which face banking today and will continue to do so in the future.

Undoubtedly in this period when production has caught up with consumption, when more care is being exercised in the extension of credit, and when other factors are appearing which will tend to reduce the volume of instalment credits available to banks, we may have a welcome period in which to catch our breath, as it were. But we should get busy on our policy making because we may not have too much time to catch our breath. On Dec. 31, with the headline of Washington, there appeared a short item in our newspapers published by the U. S. Census Bureau. It said that the estimated population of the United States for Jan. 1, 1954, was 161,-200,000—2,700,000 higher than the estimate of one year ago and 10,-000,000 greater than at the last general census in April, 1950, less than four years ago.

The question is not where is the volume of business to come from but how are we going to develop the means of handling it. Because economic conditions as we view them today present a slightly clouded picture, let's not run to cover and with faces hidden, let other financial agencies—maybe even a new government agency—get the business of these millions of people.

This is the time for all of us to think in broader terms. This is the time for instalment credit operators to lift their sights above volume and departmental problems—to shape their policies according to the broad requirements of their entire banks. This is the time to recognize the earning potential and the good will and customer development possibilities of a positive and constructive attitude toward consumer credit. This is the time for top bank management to give a larger share of its time to the consideration of the economic, social, and political potentialities of this vigorous, hungry, and dynamic new member of its family.

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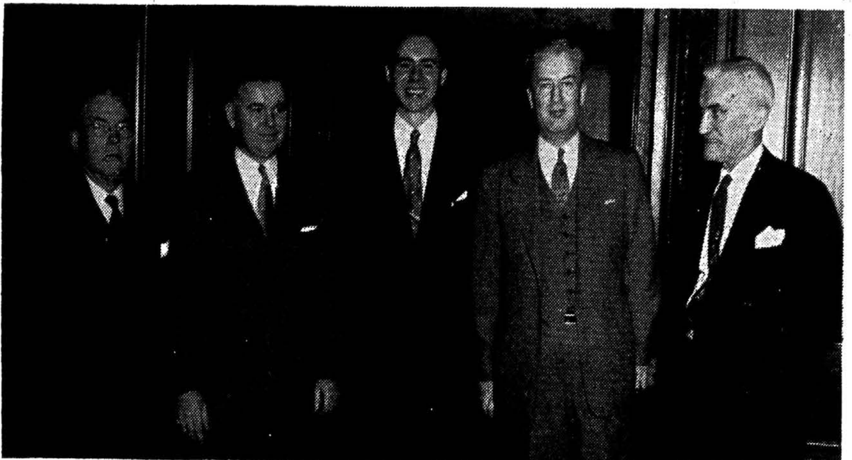

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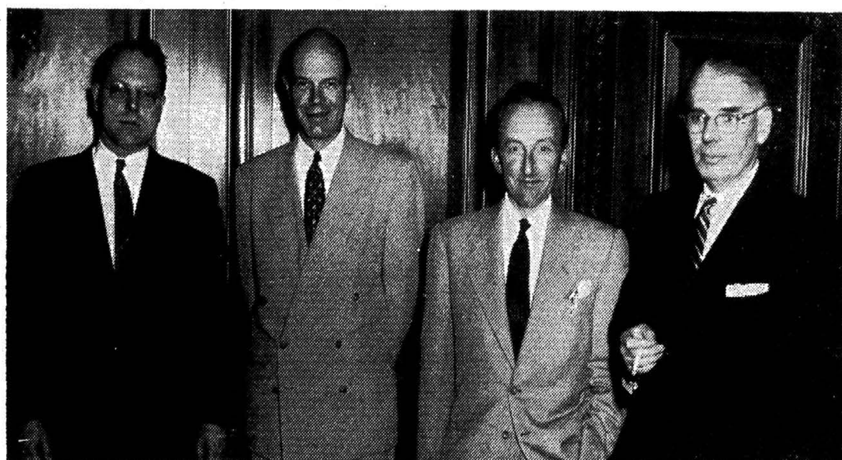

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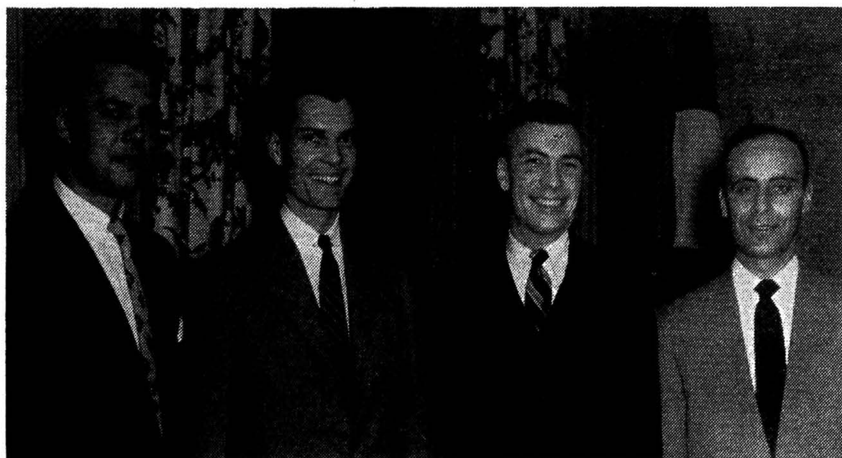

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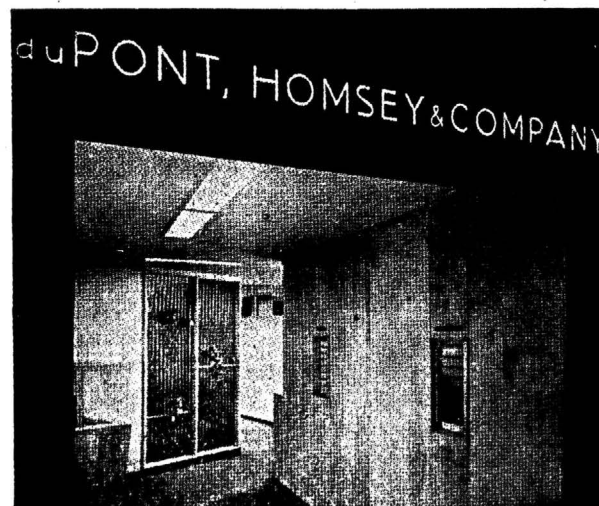

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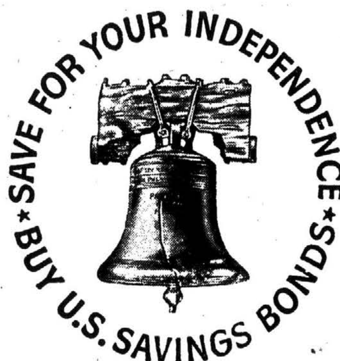

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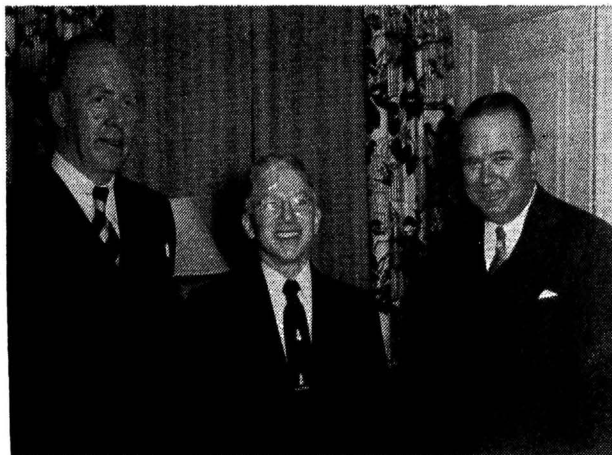

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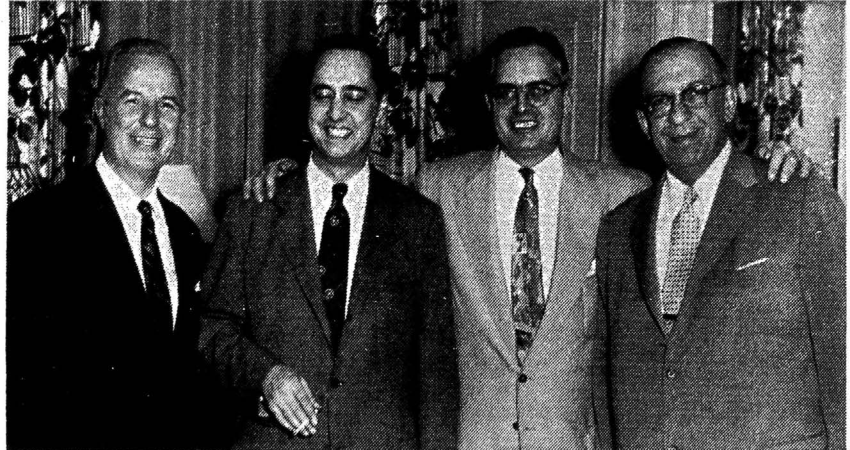

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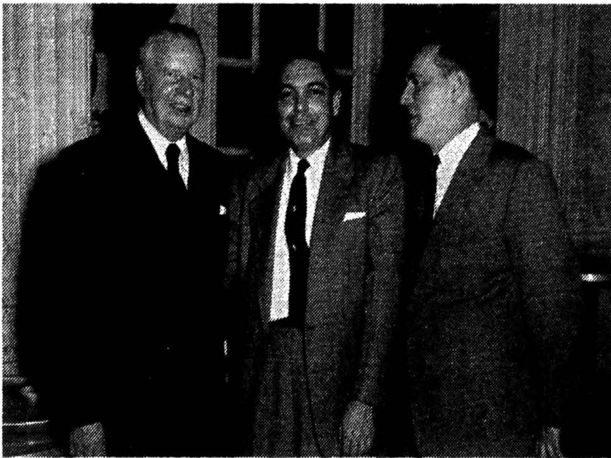

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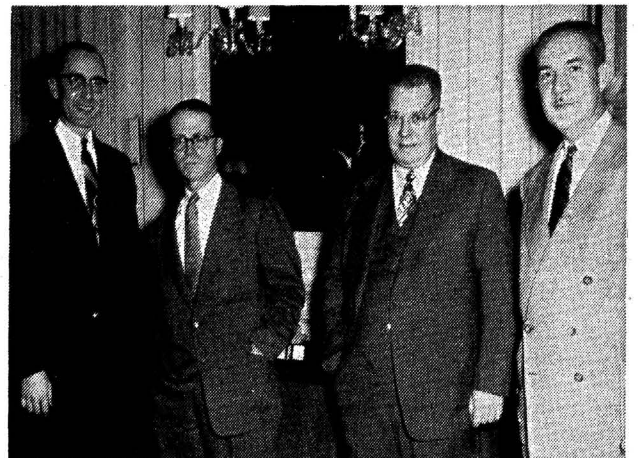

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Continued from page 2

The Security I Like Best

tions are available to the public and it is my recommendation that they be secured by any interested reader. Public interest in the field of atomic power should multiply rapidly over the months and years ahead.

B. WINTHROP PIZZINI
Partner, B. W. Pizzini & Co., New York City

Leece-Neville Company

Every once in awhile we read about some company that has installed a research and engineering department. These departments invent and develop new products and improve upon old ones. In fact, the leading companies place great stress upon research and invention. Their progress is foreshadowed by their new ideas. That is why they are leading companies. Their "invention" departments enable the constant growth of their manufacturing activities. Companies going in for greater research has been common procedure during recent years. To reverse the process, if we were to hear about a research organization that had entered into manufacturing and large scale production—that would be "news." A company that comes fairly close to qualifying as "news" is the Leece-Neville Company of Cleveland.

B. W. Pizzini

This company has long been internationaly famous for its research and invention of electrical devices. It was the first company to invent electric lighting systems for automobiles. It invented the first self-starter — and also the first generator for cars. Leece-Neville, naturally, is not a new company. It was incorporated in Ohio in 1910 to produce the previously mentioned original inventions of Mr. Leece. About 1912 it added the first generating and cranking motors used as standard equipment on autos. In 1914 the company brought out the first third-brush generator. During World War I up to World War II the company produced controls on artillery pieces, generators and voltage regulators for aircraft, magnetic switches, electrical equipment for boats, cranking motors, diesel engine cranking motors and starters. During World War II it produced huge quantities of electrical equipment for the Army and Navy, using many advanced designs. Down through the years the company has pioneered all kinds of special and heavy-duty electrical equipment for use on automotive and other kinds of engines. It ranked "first" in many revolutionary ideas and was far ahead of its competition in the early stages of its development.

One would expect that a company so famous for its new products over a long period of years would have grown into a huge industrial enterprise. However, such was not the case. It was a closely controlled corporation for more than 30 years. Thus, it is not too hard to understand the rather nominal profits made prior to 1941. The business was established by inventors and engineers whose primary interests, naturally, were creational rather than industrial and financial. A large portion of its products came from shop benches rather than assembly lines. Consequently, the company remained small in size despite its large achievements. Profits were moderate but constant.

The general public was taken into the company by distribution of stock about 12 years ago. Since then the management has been constantly strengthened. Its business generally has been growing and during recent years at a more rapid pace. Additional Method Engineers have been added to the staff. It has instituted manufacturing on a mass production basis, especially evidenced in its new fractional horsepower motor division.

Leece-Neville aims to take full advantage of the excellent inventions and designs that come from its research and engineering divisions. Its flow of new ideas has not been diminished by the growing stress placed upon manufacturing and production. In 1945 Leece-Neville introduced the first AC-DC generating systems (known as the alternator system) for all types of motor vehicles, and has applied this to electrically heated wind-shields, fluorescent lighting on buses, and for use on railroad equipment and on ships and boats. It also introduced an air cranking motor for non-electrical starting and an alternator transformer for lighting, heating and small motors.

Currently a good part of the company's business represents orders in connection with the national defense effort. However, a substantial portion of this business calls for standard lines and necessitates little plant reconversion. A large percentage of the company's sales consists of fractional horsepower motors used primarily in automotive heaters. The alternator rectifier system has increased in popularity. Sales of DC equipment, consisting of generators, cranking motors, switches and regulators, have grown during the past several years.

During the last five years the company's sales have jumped from $4,376,000 in 1949 to $12,990,000 during the last fiscal year ended July 31, 1953. Like many other "growth" companies, Leece-Neville is an outstanding victim of the Federal income tax "straitjacket." For example, earnings for the 1953 fiscal year amounted to $1,307,500 before Federal taxes. It paid the government a total of $914,000 in order to earn a remainder of $393,500. Latter is equal to $1.75 per share on the 225,459 ($1) shares outstanding. In other words, the company paid the government an amount equal to $4.06 per share in order to earn $1.75 per share for the stockholders. Taxes, however, included excess profits tax equal to $1.05 per share. Since the excess profits tax has now expired, earning power of the company for the 1953 fiscal year might be recalculated as $2.80 per share. Per share results after taxes for the previous four fiscal years were $1.10 in 1952, 91 cents in 1951, 75 cents in 1950 and 76 cents in 1949.

Leece-Neville has paid dividends in varying amounts in every year back to 1923. Payments made in 1953 amounted to 50 cents per share. During the past 12 years up to and including January, 1954, total payments amounted to $7.60 per share, an average of 63 cents per share per year. Financial condition is sound. Net current assets amounted to $9.78 per share of stock at the last fiscal year-end. Equity for stockholders was shown equivalent to $11.47 per share of stock. This might be increased to $14.47 if we add back plant facilities fully depreciated during the war.

The informed investor these days is apt to look closely at what a company has done and is doing in the way of invention and design of new products. The Leece-Neville Company will rank high in this respect. For example, its new Alternator Systems bid fair to prove as revolutionary as the conventional DC generator when it was first brought out. Moreover, this is only one of the many relatively new products.

Stock of the Leece-Neville Company, traded in the Over-the-Counter market, is currently selling at about 8¾, which is less than the net current assets per share. Though I would not expect the company during a period of adverse business conditions to show the $1.75 per share reported in 1953, I would expect it to show an earning power well over $1 per share and to pay substantial dividends. The stock looks like a good semi-investment for holding into the future years.

Exchange Firms Govs. Meet in Washington

WASHINGTON, D. C.—Governors of the Association of Stock Exchange Firms in attendance at their winter meeting at the Shoreham Hotel Feb. 15-17, in addition to James Parker Nolan, Executive Vice-President and Treasurer of Folger, Nolan—W. B. Hibbs & Co., Inc., Washington, were:

Horace W. Frost, President, Tucker, Anthony & Co., Boston; Eugene M. Geddes, Vice-President, Clark, Dodge & Co., New York; John J. Sullivan, Vice-President, Bosworth, Sullivan & Co., Denver; James J. Lee, Treasurer, W. E. Hutton & Co., New York; Charles E. Ames, Kean, Taylor & Co., New York; John E. Blunt, 3rd, Blunt Ellis & Simmons, Chicago; Douglas G. Bonner, Bonner & Gregory, New York.

Henry M. Cook, Newhard, Cook & Co., St. Louis; Charles P. Cooley, Jr., Cooley & Company, Hartford; Roger Cortesi, Auchincloss, Parker & Redpath, New York; Edmond du Pont, Francis I. du Pont & Co., Wilmington; Willis D. Gradison, W. D. Gradison & Co., Cincinnati; Van R. Halsey, Carlisle & Jacquelin, New York; Marco F. Hellman, J. Barth & Co., San Francisco; E. Jansen Hunt, White, Weld & Co., New York; Roscoe C. Ingalls, Ingalls & Snyder, New York; Robert J. Lewis, Estabrook & Co., New York.

Charles McKenna Lynch, Jr., Moore, Leonard & Lynch, Pittsburgh; Robert A. Magowan, Merrill Lynch, Pierce, Fenner & Beane, New York; Lloyd W. Mason, Paine, Webber, Jackson & Curtis, New York; Walter Maynard, Shearson, Hammill & Co., New York; William M. Meehan, M. J. Meehan & Co., New York; Herbert O. Peet, H. O. Peet & Co., Kansas City; Harry C. Piper, Jr., Piper, Jaffray & Hopwood, Minneapolis; Edward P. Prescott, Prescott & Company, Cleveland; James H. Scott, Scott & Stringfellow, Richmond; Wickliffe Shreve, Hayden, Stone & Co., New York; Edward Starr, Jr., Drexel & Co., Philadelphia; Edward F. Thompson, Jr., Lamson Bros. & Co., Chicago; William F. Van Deventer, Laidlaw & Co., New York; George H. Walker, Jr., G. H. Walker & Co., New York; Sewell S. Watts, Jr., Baker, Watts & Co., Baltimore, and Lloyd C. Young, Lester, Ryons & Co., Los Angeles.

The winter meeting of the Board is one of three held annually in cities throughout the country to discuss problems of the industry. The Board has met here twice previously since World War II—in 1947 and in 1950.

Reasons for Confidence

By ROGER W. BABSON

Mr. Babson lists as reasons for confidence in the business future: (1) there is more money and there are more people, and people have money to buy; (2) the present Administration is liberal in its thinking, and this should hold our economy high; and (3) the caution voiced by warning words and skepticism of the future may furnish an element of psychological strength, and "the pessimistic forecasts themselves may prevent real trouble."

While so many forecasts for 1954 are discouraging, I give four more reasons why I cannot be so fearful as are many economic writers. Take a look at them and have faith in your country and your future.

Roger W. Babson

In the first place, **people have money to buy.** I repeat what I have said before—"the top 50% of our families have readily convertible savings amounting to a staggering $97 billions." 95% of all families probably have more money in savings accounts than ever before. It is true that installment debts on cars, refrigerators, and television sets have increased during the past 12 months; but these are now being reduced. Moreover, money invested in these durables cannot be written off as "gone." Homes are always a good investment. So long as one is employed, money invested in a home may be as good a reserve as cash in a bank. In short, potential buying power never was greater.

Second, **our swiftly rising population**—with a record four million births in 1953—is creating a vast number of new wants that must be satisfied. Ten years from now we may have forty million more in our population than we did at the end of World War II. Take all the wants and needs of one individual and multiply by forty million and you will get some idea of what a staggering impact the increase in population alone can have on our economy for some time to come, provided it is of good character. Population alone is not enough; people must have good habits, sound faith, and useful intelligence.

Liberalized Republican Thinking

Third, **the liberalizing of the thinking of our present Administration** should help hold our economy high. For example, it has reversed itself on its hard-money policy; credit has been eased. Tax relief for both the individual and business is already under way. This Administration is prepared to go further with higher minimum wages, reasonable aid to the farmer, useful public works projects, and broader social security benefits.

Fourth, **the millions of warning words and the current skepticism of the future** may furnish a considerable element of psychological strength. There is little question but what skepticism has kept many a businessman and consumer from overstepping with regard to future commitments. The pessimistic forecasts may themselves prevent real trouble.

Comparing 1954 With 1929

During the past few weeks I have been reading the newspapers and magazine articles published in 1928-1929, preceding the last depression. I find very few warnings. Herbert Hoover had just been elected President and he had chosen an able "business-man's" Cabinet. In fact, directly after his election the stock market shot up 20 points. Nearly all the business and financial prophets were then bullish.

Hence, people were not then on their guard. Yet, they should have been warned before it was too late. If warning had been given in 1929 as it has now been given, the great 1930-33 declines in building, textiles, clothing, leather, and automobiles would not have been so severe.

Recall Your History

After every war, our country has had a letdown. This was true after World War I. Earlier, the same pattern had followed the Spanish-American War. An even more severe reaction set in after the Civil War. Yet, most economists say that it is now nearly 10 years since World War II and we have no readjustment of our continued prosperity.

But, is World War II at an end? Or, may we now be in World War III? What is the economic difference between a "hot war" and a "cold war"? I do not pretend to know all the answers, but I do ask these pertinent questions. After every period of inefficiency, waste, and unrighteousness, there must always be unemployment to punish us for our sins. But has this time come yet? Business and employment for the first half of 1954 could still be at a high level. So take courage! The "boom" may not continue, but the future is still bright for families who will work hard and use any idle time to study and to build up physical and spiritual health.

Los Ang. Bond Club Elects Ryons V.-P.

LOS ANGELES, Calif.—Joseph L. Ryons has been elected Vice-President of The Bond Club of Los Angeles for the current year. Mr. Ryons is a partner of the investment firm of Lester, Ryons & Co. He is also a Governor of the Investment Bankers Association, a former governor of the National Association of Securities Dealers, and a past President of the Los Angeles Security Traders Association. A graduate of the University of Nebraska, Mr. Ryons has been active in the investment business since 1925, and has resided in California since 1927.

Joseph L. Ryons

Allan Rogow Joins Staff of Bache Co.

Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange announce that Allan Rogow has become associated with the firm to promote business from profit-sharing and pension funds. Mr. Rogow, an attorney, was formerly connected with several leading law firms.

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Facts That Spell Out Future Sales

By STANLEY C. HOPE*

President, Esso Standard Oil Company

Large petroleum company executive, in commenting on forecasts of a depression, finds there are many positive factors which are likely to maintain a high level of business. Looks for only "rolling adjustment," but stresses need for sales efforts by producers and distributors to dispose of increased output "in one of the most competitive periods in American business." Cites rising consumer demands due to rapid population growth and rising living standards, and concludes "there seems to be no reason why the efficient producer and the market-wise distributor should not look forward to a high level of business and good earnings."

I do not intend to go into an exhaustive discussion of the forecasts made by the gentlemen whose business it is to break down the component parts of the gross national product, analyze them, chart the trends of the various indexes and predict the effect these trends will have on our overall economic well being.

Stanley C. Hope

These opinions must necessarily be looked upon against the back-ground of the past and the general economic picture of 1953 is fresh in our minds. We have just come out of a year for which the Department of Commerce has set the gross national product at $367 billion. Even for the United States of America this is a stupendous figure. Anyone looking at this figure and speculating upon what was immediately ahead might be forgiven if his attitude is that of a mountain climber who, having scaled a peak, knows that there is but one way to go—and that, down. Fortunately for us in American industry the analogy does not hold. Just as only a few years ago no one would have forecast the height of the business peak in 1953, no one can forecast with any assurance the peaks in years ahead except that we will see still higher ones in the future.

The weight of economic opinion seems to be that industrial activity as reflected in the Federal Reserve Board index will, in 1954, be about 10% below that of 1953 and that the gross national product will show a decline of about 5%, although this opinion is by no means unanimous.

It does not seem to be expected by anyone that the business decline will be a general "across the board" setback. Leaders in different industries have expressed confidence that their businesses will actually improve this year and heads of individual companies are by no means willing to accept a decline in volume done by their industry as necessarily meaning a decline in the output of their companies. This is the American business attitude. If all of us accepted the forecasts, if we all agreed that we were looking toward a definite percentage of industrial decline, if we planned our future based on this and hedged our operations against it, then we would surely have it—or something worse.

I do not mean in any way to discount the importance and value of these statistical studies and forecasts. We have learned much from them and while we have by no means learned how to level out business cycles, I think we have learned a great deal about how to reduce the severity of the peaks and valleys as our economy grows. Surely we are a lot better off with our economists and statisticians than we were when businessmen depended upon simpler indicators such as the volume of sales of workmen's lunch pails or denim overalls, or even the newer figures of the ratio of twin-bed sales to double beds and of beer to the more expensive liquors.

However, it seems to me important that we not become prisoners of our own statisticians and our own statistics. These figures are not the "Facts That Spell Out Future Sales." These figures forecast challenges and the way we meet those challenges are the facts that will determine our success in 1954 and succeeding years.

Optimistic Factors

There are a great many factors on the positive side of the picture. Never in our history have personal savings been greater and I see no indication that the needs and wants of people have been satisfied or will be satisfied in the near future.

Out of all the welter of figures there is one set of statistics that seems to me important above all others. That is the rate of growth of our population in recent years and the shifting of the size of the age groups since the beginning of World War II. Because of the abnormally low birth rate in the 1930's we experienced the phenomenon of two decades of a retarded population increase and that increase, to a large extent, due to increased longevity. With a total population increase of 28 million between 1930 and 1950 we actually had a decline in the number of pupils enrolling in our schools. The growth of the population since 1941 has been phenomenal; dropping slightly in the mid-40's it reached a new high in 1947 and continues to grow at but a slightly lower rate. The Federal Security Agency estimates a total population increase in the 1950-60 decade of 15½%, the highest in five decades, and an increase in school enrollment of over 27%. To me these figures clearly indicate the creation of great new markets for all kinds of goods and services; for new schools, new homes, new transportation facilities, for food and clothing, medicine and cosmetics, for furniture and fuels.

So great is the demand for school facilities that government estimates indicate a need for the expenditure of some $20 billion over a period of eight years, and it is a need that cannot be postponed. Our schools are now jammed with the children born up to 1947.

The demand for new dwelling units declined in mid-1953 but turned up again at the end of the year. New housing starts in late 1953 may be attributed to the unseasonable, warm weather but they also reflect a demand by the 1½ million families that have been sharing housing as well as by new families being formed. While it is true that marriages in 1953 dropped to a postwar low of 1½ million, again reflecting the low birth rate of the 1930's a million new home starts in 1954 is entirely possible.

Clearly indicated is the need for additional transportation. Our present highway system is crowded with the more than 50 million motor vehicles that use it. Estimates of passenger car production for 1954 are placed at 5 million to 5.3 million although these figures would seem, from the statements made by some of our passenger car manufacturers, to be none too reliable. The head of one of the important motor companies has recently stated that his company plans to take the lead in the low-priced car field by 1955, and that his immediate plans are limited only by the fact that his plants "bust out at the seams" to produce 6,400 cars a day. Heads of other automobile manufacturing companies have served notice that competition for this market will not be limited to "the big three."

With 12 million of the automobiles on the highways of prewar vintage, with 17 million families without a car and 37% of our farms without cars, there would still seem to be quite a market.

This growing highway population—the constant increase in cars, buses, and trucks—has focused public attention on the needs for highway modernization and expansion. Citizens have voted large bond issues for entirely new highways and older systems still suffer from a lack of maintenance dating back to the war years. Estimates put 1954 expenditures on our roads at $5.5 billion.

The need for new school construction, for new highways and extensive modernization of old ones exists throughout the country and will have their influence on the economy of every region.

A Period of Rolling Adjustments

Many forecasters and businessmen see the year ahead of us as one of what has come to be called a period of "rolling adjustments" which have been characteristic of our economy since 1946. Someone has said that rolling adjustments are very fine things except, of course, if you happen to be the fellow on the roller. Others describe it as an "orthodox recession" or a time of inventory adjustment such as we experienced in 1949. With few exceptions no one forecasts a horizontal "self-feeding" depression such as was experienced in the eary 30's. In fact many of our economists feel that such a depression would be impossible today with our greater knowledge of the business cycle, our system of unemployment compensation, old age pensions and other important stabilizers that have been built into the economy.

In his message to the Congress on January 7, President Eisenhower sketched briefly the steps to be taken by the Federal Government if any weakening of our economy reached serious proportions. The Administration has already demonstrated an awareness of and a flexibility in meeting the problems and I think we can look with confidence for all appropriate Government action.

The assurance that the Administration will pursue policies as favorable to business and industry as to other sectors of the economy will bolster public confidence but we do not want to depend upon government to do the businessman's job. If, in the past years of great expansion, we have overexpanded our capacity, if we have overproduced, we must pause a little to digest this expansion and production.

Government policies and government manipulation for a time may postpone this period of digestion or adjustment, but only postpone it and the longer it is postponed the greater the magnitude of the adjustment.

Problems of Business in 1954

Whatever the event, 1954 will present problems to the managers of business that will differ from the problems of previous years in kind and in degree. The need to attack and solve those problems may be pointed up by a tightening in various sectors of the economy.

The business manager's role in such times is to take full advantage of all the vast store of fact and opinion, to make his own appraisal of the situation as it will apply to his own business and to act upon it.

We are, I believe, already in one of the most competitive periods American business has known. Productive capacity has grown faster than demand. Great new industries—unimportant or even unknown in 1941—are competing vigorously with each other as well as with those longer established. Television competes with the home freezer and in many a country home the advantages and pleasures of these are weighed against indoor plumbing.

With our productive capacity what it is obviously not every producer of goods will be able to sell all he can make, not every distributor will be able to sell everything he can buy. But there seems no reason why the efficient producer and the market-wise distributor should not look forward to high level of business and good earnings.

Consumers have money and will spend it, but they will have many choices of how and where and what for.

The varied talk that has been going on about impending recessions and inventory liquidations may induce buyers to hold off in anticipation of price declines. In fact, some believe that if we have a business recession of serious proportions, it will be because we have talked ourselves into it. I am inclined to believe that the impact of such talk upon the consumer can be greatly overrated. In my opinion, as long as people have money and have needs, they will seek to satisfy those needs. There have been too many examples in recent years when a pessimistic psychology seemed to dominate business thinking and it is history that business activity moved contrary to such expectations. There was the period just after World War II when dire predictions of unemployment were made and generally accepted. These were wrong and our country moved from a wartime economy into a period of great expansion. As it turned out, the problem was not one of making work for many millions of unemployed, but to expand fast enough to supply the pent-up needs of the people.

There was another breaking out of pessimism in the spring of 1952. Many predicted that business would taper off in the latter part of that year to be followed by a recession in 1953—and, as we know, 1953 has been the biggest year in our history.

This is not to say that psychology does not have its effect upon business. What I am saying is that it does not seem to have much effect upon the consumer as long as he wants things and is able to buy them. Unfortunately we must admit that it has had its effect in the past upon business managers and we can anticipate that it will have similar effects in the future. In 1945 and '46 many of us bought the predictions of great unemployment during the changeover from war to peace. In mid-1946, the stock market, which would seem to reflect the psychology of investors, went into a nosedive but business activity continued at a good rate.

It seems to me as we take stock of the situation today and plan for the future that the important change that has taken place and will be further emphasized as we get into 1954 is this change from providing enlarged and more efficient productive capacity to the problem of finding more efficient and better ways of selling. No matter what business we are engaged in, we face a period of continued high costs. Right now and in the months ahead I think all of us should study carefully our sales methods and our sales organizations. Many younger men have had little experience selling in a buyers' market. There may be a need for intensive salesmen's training programs to be sure that those who represent us thoroughly understand the products they are selling and, equally important, understand the simple equation of the more calls made, the more sales. Studies of the use the salesman makes of his time may be illuminating and may suggest changes in the size of the territory assigned to him if he is to produce under different, more competitive conditions.

I think we will have more emphasis on market research. In the postwar period there have been important population shifts and we will research the extent of the market, where it is, and what it wants.

We will take another look at product design, at the packaging, and we will want to know very definitely what the public reaction is to our advertising by all media.

If what I say here appears to be in general terms, it is because I am not competent to discuss the specific problems and the specific facts that will affect the great variety of enterprises represented by you gentlemen. Some of the facts may affect us all in different degree and others may affect some of us quite differently than they will others. Some may suffer from conditions in which others will find advantage. Our jobs, as business managers, are to face up to the facts as we find them, to use them and not to let them use us. On the whole, I think most of us will not do badly in 1954.

My own industry, the petroleum business, is one that has expanded its productive and manufacturing facilities beyond immediate needs. Much of this expansion has been brought about at the behest of the government, but it is there and has contributed to over-ample inventories of many products with the inevitable consequence of market weakness. The very existence of this excess capacity will undoubtedly be a problem in the petroleum industry for some time to come and will demand good business statesmanship in the industry in the months ahead.

Looking to the long term, the prospects are bright. I see no reason why our growth in the years to come should not rival the growth in the years immediately past.

For the short term, there are clouds in the sky, but surely they are not portentous ones. Looking into 1954 with the prospect of nearly 54 million vehicles of all kinds traveling over 600 billion highway miles, with estimates that our airlines will fly over 15 billion revenue passenger miles, with our railroads continuing the dieselization of their lines, with a conservative estimate of one-half million new automatic oil burners being added to the 6.7 million now in use, the petroleum industry looks forward to another year in which the demand for its products will establish another peak.

This ever-increasing demand for energy to move people and goods and to heat homes and industry are facts that forecast expanding sales by the petroleum industry. Behind them, however, are basic facts that spell out increased de-

*An address by Mr. Hope before the American Management Association Marketing Conference, New York City, Jan. 27, 1954.

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mand for all kinds of goods and services.

Four million babies will be born in the United States in 1954 and the net increase of the population is estimated at 2½ million. The population is expected to increase at about this same rate in the years immediately ahead. In its simplest terms the next ten years will bring us 25 million more bodies to feed and clothe and house. As population grows there is a definite shift from our old urban centers to a new kind of life, to new homes in new communities with their needs for new highways, new streets, and expanded public utilities. The needs of the new homes must be filled, the needs for furniture and floor coverings and all of the old familiar things. But in our dynamic life these needs are never static, they constantly change and expand and in most of these new homes the domestic servant has given way to the vacuum cleaner, the dish washer, the home laundry, to new and greatly improved gas and electric cooking stoves and automatic furnaces in the basement. Automatic heat has become commonly accepted and we will surely see a growing demand for summer air conditioning as well. We accept as commonplace things which were undreamed of a generation ago. The new generation will demand and accept as commonplace things that we now marvel at or which as yet may not have been developed or even invented.

As far ahead as any of us can see we can anticipate an ever-growing population with an ever-rising standard of living carrying with it an economic expansion, the limits of which it would be foolhardy for anyone to attempt to predict.

Here are tremendous, inspiring opportunities for all of us. I would not attempt to spell out just what they offer to each of you but I urge you to study them carefully for in them are the "Facts That Spell Out Future Sales."

Fairman Chmn. of Bd. For Sills, Fairman

CHICAGO, Ill.—Fred W. Fairman, Jr. was elected Chairman of the board of Sills, Fairman & Harris, Incorporated, 209 South La Salle Street, investment bankers, succeeding William H. Sills, who resigned, David J. Harris, President, has announced.

Fred W. Fairman, Jr.

Mr. Harris also announced the election of Clarke J. Robertson as Vice-President and Vern V. Reid as Secretary-Treasurer.

Robt. Warren V.-P. Of Geyer Co., Inc.

Geyer & Co. Incorporated, 63 Wall Street, New York City, underwriters and dealers in investment securities, announce that Robert H. Warren has been elected Vice-President of the company.

To Be Bernard Aronson Co.

Effective Feb. 28 Matthew J. Hall will withdraw from partnership in Aronson, Hall & Co., 745 Fifth Avenue, New York City, members of the New York Stock Exchange, and the firm name on March 1 will be changed to Bernard Aronson & Co. Gerald R. Aronson, Manager of the trading department of the 120 Broadway office will be admitted to partnership in the firm.

Plans Announced for Comprehensive Study of New York-New Jersey Arterial Traffic Problem

Port of New York Authority and Triborough Bridge and Tunnel Authority formulate plans for joint study of projects necessary to facilitate movement of traffic within Metropolitan Area, thereby relieving local communities in both States of the terrific congestion now prevalent and the resultant large-scale economic cost in time and money.

A comprehensive study of all major phases of the arterial traffic problem in the New York-New Jersey metropolitan area—the greatest center of land, sea and air transportation in the country, will start immediately under the joint auspices of the Port of New York Authority and the Triborough Bridge and Tunnel Authority. Announcement of the sweeping study, the first ever undertaken, was made on Feb. 15 by Acting Chairman Bayard F. Pope of the Port Authority and Chairman Robert Moses of the Triborough Authority and their associates. Executive responsibility for the study, it was made known at a press conference in the Port Authority's board room at 111 Eighth Ave., New York, will be assumed by Austin J. Tobin, Executive Director of the Port Authority and George E. Spargo, General Manager of the Triborough Authority. The entire project had previously been reviewed with the Governors of New York and New Jersey and with Mayor Robert F. Wagner.

Object of the study, it was made known, is to develop for the years immediately ahead the pattern of construction of new crossings, connecting arterial highways, local expressways and such parking facilities as may be incidental to the construction of the arterial projects. The urgent need to find a solution to the intolerable street traffic congestion bedeviling local communities in both States was dramatically illustrated in the disclosures that such conditions now cost more than $1,000,000,000 a year in lost time and business in the City of New York alone. In accordance with the financial policies that have governed their previous activities, no projects will be undertaken by either the Port Authority or the Triborough Authority unless costs and traffic estimates indicate that they ultimately will be fully self-supporting.

Scope of Problem

At the meeting, Messrs. Moses and Pope stated that the critical need for "an over-all solution of the problem of destructive traffic congestion in the bi-state metropolitan area" made it imperative that the two agencies, with the full cooperation of Governor Dewey (N.Y.) and Governor Meyner (N.J.), and highway officials of the two states, Mayor Wagner and the members of the Board of Estimate of New York City, as well as other local officials, civic organizations and the press in the two states, had to "pool resources and efforts" in order to solve the problem of paralyzing traffic congestion.

"An estimated 385,000,000 vehicles entered, left or passed through Manhattan Island in 1953. The situation is serious and must be handled so as to preclude piecemeal traffic relief," the two officials declared. "Total trans-Hudson traffic in the area by tunnels, bridge and ferries added up to about 73,500,000 vehicles in 1953. By 1960 the continuing upward trend will send that figure soaring to 95,000,000. The East and Harlem River bridges and tunnels carried an estimated 311,500,000 vehicles in 1953, and that number is increasing steadily. No partial solution of such a problem will be of any real help to the metropolitan area in the next decade and an over-all solution can be achieved only by the joint efforts of all the official agencies involved. Of these agencies, the two public bridge and tunnel authorities must bear the heaviest and most direct responsibility. They are the agencies in the best position to work together toward the common goal of arterial traffic relief."

Projects to Be Studied

The study will embrace the possible construction of the Narrows Bridge between Brooklyn and Staten Island and approaches; a new lower level of the George Washington Bridge and connections to and over the Harlem River; a new bridge spanning the Hudson River in the general vicinity of 125th Street, Manhattan, and connections with the Triborough Bridge and Harlem and East River Drives; a lower Manhattan and a 30th Street crosstown expressway; and offstreet parking facilities at or in the vicinity of the approaches of such facilities, or in outlying areas in New York, and in the vicinity of the Hudson River crossings in New Jersey where motorists may park who are bound for Manhattan and wish to complete their journeys by some other means of transportation.

The legal and other aspects of financing and construction of the Narrows Bridge by the Port Authority will proceed if the preliminary studies indicate that this bridge can ultimately be made a self-supporting project. The study will include methods by which the bridge may be built, operated and maintained by the Triborough Bridge and Tunnel Authority.

The Triborough's contracts with its bondholders would prohibit the financing of a Narrows Bridge prior to 1957, and the coverage requirements of those contracts would undoubtedly make such financing difficult for a much longer period, particularly in the light of the Triborough's $80,000,000 program of approaches and arterial construction and the financing of the Coliseum.

J. Marvin Moreland Co. Formed in Galveston

J. Marvin Moreland

GALVESTON, Tex.—J. Marvin Moreland has formed J. Marvin Moreland and Company with offices in the Cotton Exchange Building in partnership with John W. Brandenberger. The new firm will deal in listed and unlisted securities and municipals.

Mr. Moreland was formerly for many years a principal of Rotan, Mosle and Moreland. The new firm will maintain a branch in Houston at 711 Main Street under the management of Mr. Brandenberger.

Securities Salesman's Corner

By JOHN DUTTON

Prospecting Is Basic!

PART II

This is the concluding article on the important subject of prospecting which presents the ideas of L. L. Moorman, wholesale distributor and Vice-President of National Securities & Research Corp., 120 Broadway, New York City. The previous article in the two-part series appeared in the Feb. 11 issue.

Meeting People Through People

Your customers are your best source of prospects, but in order to obtain radiation from them you *must make them appreciate the benefits* of the investments they have bought from you. Most people take such things as dependable income, relative safety of their capital and long term appreciation for granted. Therefore don't hesitate to remind them of these benefits. Suggest, "Isn't your XYZ fund a satisfactory investment Mr. Jones? You like it don't you?" If his reply is lukewarm or more or less indifferent such as, "Oh yes, it's alright." Reply, *"Mr. Jones, I made this suggestion to you originally, because believe it or not, it is one of the most unselfish investments a securities man can recommend to a client.* I know you realize that once you have invested in *this group of securities* contained in XYZ fund that they are under the continuous supervision of professional investment managers, and there should be no need for changing this investment into something else. I am also sure that you know that I make my living from the commissions I earn. Unlike other securities that sometimes must be changed and provide commissions for me, this investment does not do so. However, I have found that despite this disadvantage on my part, my customers are so well pleased with their investment in XYZ fund, and with the *income* and *freedom from care* that they enjoy, that they often send me to their friends who might also like to have this kind of investment. Do you know of any friend of yours who might also like the *larger income* that can be obtained on XYZ fund as compared with many other conservative investments?" Then stop. Give your customer a chance to think. If he gives you a name, let him continue. Don't interrupt and throw him off the track. Always follow the prospect and report back to your center of influence. Be appreciative of his assistance. Some people like to help others. A few ready and willing name providers among your customers can help you to build a business. Keep your eyes open for them.

Some Nuggets From Experience

(Mr. Moorman and I sat around a table and talked for about three hours on this subject. He has been selling securities and Mutual Funds for 35 years. Here are some of the things we both agreed were practical and effective in building a clientele.)

Most people wish to say "yes" to a salesman, even when they say "no." *When they don't buy ask for prospects.* I once obtained six accounts from a man who did not buy.

* * *

Watch for an opening to ask for prospects after you have made the sale. Some will cooperate, others will not. Develop a sense of timing and look for the friendly, cooperative type. When the prospect has bought he is in the right pyschological frame of mind to buy more. Buying is closely connected with wishing others to also enjoy the good things he expects to get from his investment. (But don't overstay—if it looks promising ask for prospects—get out.)

* * *

The daily newspaper can supply you with prospects. Spend ten minutes a day marking and transferring to cards names of people who buy or build new homes in good neighborhoods, promotions of executives, probated wills, givers to charity. Write some letters, qualify by phone or personal call. Use your head instead of shoe leather.

* * *

Never discuss *anyone's* private business with another person. If asked, politely decline. People will place confidence in you if you never mention an other's affairs.

* * *

Retired people make excellent prospects. They have time to talk. Be patient with them. Many a man has seen old friends pass on, he has retired and wants to talk. He likes those who will listen to *his stories*. I was told by Mr. Moorman of some very large sales of securities that have resulted just because a salesman was willing to sit and listen to two wealthy retired investors tell him how good they were when they were in harness. He didn't try to show them how good he was. He asked them for *advice in getting started and they came through.* They practically built a clientele for him by their referrals.

* * *

Women are good clients. Use question and answer interviews. Interview them like a doctor. Talk compound interest with them. Money doubles at 3% in 24 years. At 6% it doubles in 12. Women understand this kind of arithmetic. Show then *how they are losing half their earning power if they invest at 3% instead of 6%.*

* * *

Never waste time on a "china egg" just for the opportunity of exploiting your knowledge.

* * *

Professional people are good prospects *providing*—You can see them at a favorable time and place and you can control the interview. Best time for doctors, at luncheon, or before they close their offices for the day. Lawyers after 2 p.m.

* * *

Never cater to unsound prejudices, money, or position. If a man is off the track, politely but firmly bring him around to the proper understanding. You can only establish a sound business relationship when there is a meeting of minds and mutual respect. Clarify misunderstandings—confidence then will be established—only when you have the client's confidence can you have a client.

* * *

Keep prospecting in mind. You can multiply yourself by using the "law of growth." That law is—*develop contracts by meeting people through people. It is compound interest applied to salesmanship.*

Gail Borden Opens

JERSEY CITY, N. J.—Gail Borden is engaging in a securities business from offices at 38 Highland Avenue. He was formerly with the First New Jersey Corporation.

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U. S. Should Aid, But Not Force, Currency Convertibility

By LAMAR FLEMING, JR.*
Anderson, Clayton & Co., Houston, Texas
Member, Commission on Foreign Economic Policy

Public Member of Randall Commission describes U. S. leadership in world trade and world affairs, and holds the wise and inevitable course is for this country to work for enlargement of world production and the international flow throughout the world of goods, capital and men. Favors encouraging currency convertibility, but warns "worst thing we could do would be to exert pressure or insistent influence upon governments responsible for this decision." Recommends special credits to nations undertaking currency convertibility on sound basis, and concludes return to general currency convertibility would be big step in return to normal traditions and responsible ethics in "the field in which equity toward investors lies."

I have spent much of the last four months working as a member of the Commission on Foreign Economic Policy, which is sometimes called the Randall Commission, after Clarence Randall, its Chairman. The Commission's Report was released January 23rd. I hope you will read it, if you have not done so already.

Lamar Fleming, Jr.

The Commission was composed of five Senators (three Republicans and two Democrats), five Congressmen (three Republicans and two Democrats), and seven members from private life. We were aided by a Research Staff of very able economists. Association with the distinguished and fine Americans of the Commission and the Research Staff was an exhilaration and privilege which I always will cherish; and I owe it, I am sure, to my friends in cotton circles, since the recommendation of my appointment hardly could have originated elsewhere.

The Commission included men of diverse shades of thought, predilection and interest. In the spirit of give-and-take, we produced a report which fourteen of the seventeen members approved without general dissent; although each of us, except the Chairman, inserted comments or dissents applicable to specific recommendations in the report.

In the work with the Commission, I have been impressed again with the special pertinence of several facts about our Country.

Our National Economy Geared to Foreign Trade

The first of these is that our national economy has become geared to a tremendous export trade, arising from the efficiency and economy of many of our lines of production and also from the great post-war needs of the outside World and the low productivity of the war-torn nations pending the rehabilitation of their factories and farms. We still are exporting more than we are importing to the extent of several billion dollars per year, which thus far has been offset by grants and loans for foreign economic aid, foreign military aid, and extraordinary foreign expenditures of various kinds, at the expense of the American taxpayer.

By now, the emptiness of foreign cupboards has been repaired and the productivity of the war-torn nations has been restored and enlarged, especially in the industrial lines. The taxation of our people for foreign aid has continued so long that it threatens to become a vested burden for us and a vested privilege and humiliation for the recipients; so that we must reach a determination to bring it to an end, not abruptly but soon. We therefore must face the question how the balance between our foreign receipts and payments will be achieved without the benefit of foreign aid grants or extraordinary foreign expenditures.

The balance can be achieved by shrinking our exports to match our imports. This would mean a shrinkage of our Country's total business, retrogression for our economy, and aggravation of the economic difficulties of the entire World. Another way to balance would be through an increase in the aggregate of World trade, involving greater exports, greater imports, and a greater flow of our funds into foreign investment.

The second fact which impresses me is that the growth of our industry and population has made us greatly dependent on foreign sources of many of the raw materials of industry, such as tin, rubber, jute, wool, manganese, chrome, tungsten, bauxite, antimony, copper, lead, and zinc, and now even iron ore. We always have been greatly dependent on foreign coffee, tea, cacao, sugar, and tropical fruits and spices. If the growth of population compounds at the rate of 1½% per annum, the increase will be 25% in 15 years, 56% in 30 years. Consumption will increase faster than population, as invention continues to multiply the objects of demand. So our dependence on foreign sources will become ever greater.

Increasing needs for foreign raw materials will force us to seek out and develop new sources of them. This will entail an accelerated flow of U. S. investment funds abroad and an accelerated inflow of foreign raw materials, which will contribute to balancing our international trade accounts and will benefit the economic development of the countries in which the materials originate.

I am impressed anew with the importance of a third fact, an old chestnut that should not lose force through its hackneyed familiarity. It is the extreme degree in which we have become the creditor in a world of debtors.

When there is just one rich man in town, he cannot cut the lawns and take in the laundry of his poorer neighbors. He pays them to cut his lawn and wash his linen, and he devotes his own time to activities in which his efforts are more fruitful. And generally he uses his wealth to finance businesses of his own, in which he employs his neighbors, or businesses of his neighbors, from which he receives a share of the earnings or interest. This rebounds to their benefit and to his. This is what those of us have done who have been fortunate enough to accumulate savings; and the rest of us earn our livelihoods in the employ of people who have savings, and some day we may step into their shoes.

If we look to the pattern of the individual of wealth, I think we find the pattern inevitable for a wealthy creditor nation. Then, if we look to History for examples of the roles of the nations whose wealth was pre-eminent in their time, we find Rome and England. In the eras of their wealth and power, these two nations were the great traders of History: they received and enjoyed in abundance the produce of other countries, for which they exchanged their own produce, and they sent their sons and their wealth to other countries, to develop and expand production of more of the things that they could enjoy. I believe we will follow the examples of Rome and England; for I do not believe there is a feasible alternative. What we may fail to do is to recognize that this is our destiny and to pursue it consciously, intelligently, and consistently.

Another important fact is the pre-eminence of our power, which is not unrelated to our wealth.

If we look again to History, we find that trade and human welfare have expanded and flourished in the times when a nation enjoying great power has accepted the role of international leadership as a corollary of power. Historians have written too much about the martial feats of Rome and England and too little about the gifts these countries gave to the World, —of peace, law, order, and development of resources, trade, currency and credit, and traditions of integrity. At other times, when no nation had pre-eminent power or when the powerful nation rejected the responsibilities of leadership, the World has slipped back toward barbarism, as during the Dark Ages following the fall of Rome.

If we should take an utterly selfish view, the question might be asked why we should burden ourselves with leadership for the benefit of other peoples. But this, I believe, would mis-state the question. For History shows too well that, in a vacuum of leadership, chaos eventually engulfs all, the strong together with the weak.

Our Wise and Inevitable Course

Out of all these considerations, I conclude that the wise and inevitable course for our Country is to work and to lead toward enlargement of World production and of the flow of goods, capital, and men throughout the World, counting upon it that the benefits to all will accrue also abundantly to us, just as frustration of all would extend eventually to us. I refuse to join the chorus of the prophets of war; but surely this is the way of peace.

Enlargement of production and maximum enjoyment of the products is related closely to free movements of men, capital, and products. It is hindered by every impediment to these movements.

The World is full of such impediments today. The Iron Curtain around Eastern Europe and North and Central Africa is the greatest of them all. The embargoes of some countries upon certain imports and the quantitative import quotas and restrictive import licensing of many countries are a close second. Restrictions on the purchase of foreign exchange have a like effect, as also do discriminatory rates of exchange, which tend to subsidize exports and to suppress imports. Tariffs, unless the rates of them throttle imports, are lesser obstacles than these others.

There is little we can do about the Iron Curtain, except to include the poor men and women behind it in our prayers. No others suffer from it as they do. Still I cannot pass this subject without commenting more pointedly than does the Randall Commission Report on what appears to me to be the stupidity of discouraging any trade through the Curtain that would alleviate the lot of these poor people without enhancing the destructive power of their tyrants. It fills me with confusion when my government refuses to sell them our surplus butter and edible oils.

To consider what can be done about the restrictions on movements of goods and money, we must inquire first into the reasons for them. Import quotas, import licensing, and exchange controls originate in a nation's lack of working capital to meet its foreign commitments. It stems from exhaustion of the nation's economy, in some cases through war, in others through extravagance, over-expansion, inflation, and poor fiscal policy. In all cases, a point was reached where the nation's exports, foreign balances, and gold holdings became insufficient to pay for its imports. Then it no longer could redeem its currency in gold or in desirable foreign currency; and the only means of conserving purchasing power for it was to make it impossible for holders of it to convert it to gold or to foreign currencies, or unrestrictedly to foreign goods, or to retain the foreign currency proceeds of exported goods. The quotas, licenses, and controls were devices to accomplish that purpose.

Some people in this Country seem to think that these controls reflect a disposition to harass us, since in fact they are exerted more vigorously against imports that have to be paid for in dollars than against imports payable in the softer currencies. The fact is that the currency these countries need the most and have the greatest difficulty in getting is dollars; and so naturally they husband their dollars more closely than the less desirable currencies. However, we must recognize that import quotas and other restrictions on imports, direct or through exchange controls, tend to confer vested privilege. If you were a toothpick manufacturer in some country and had enjoyed a monopoly on the toothpick market there since the War, thanks to restrictions against imports of toothpicks, you might feel by now that this monopoly was a matter of right. Undoubtedly there are people in the countries which practice these restrictions who feel by now that their long-enjoyed privilege has become a vested right; and the number of them will increase so long as the restrictions endure.

On the other hand, those who suffer most from these restrictions are the general citizenry of the countries which impose them. Consider for instance the Italian cotton mills that have been compelled to buy high-priced Turkish cotton by restrictions which curtailed their freedom to buy cheaper dollar cottons. This inflated the cost of Italian textiles at the expense of the Italian consumer, it priced Italian textiles out of the export markets, and it aggravated unemployment in Italy. Consider the traditionally great international bankers and merchants of England, operating now in a maze of restrictions. Do English bankers compete for our business as they used to do? Do English merchants compete with us American merchants as they used to do? Restrictions tie their hands; but they are eating their hearts out.

The Currency Convertibility Problem

The English, the Germans, the Dutch, and the Belgians are very conscious of the sacrifice which their restrictive regimes impose upon them; and they are anxious to regain viable convertibility for their currencies, so that restrictions to protect their currencies, at the expense of their freedom and opportunity to prosper, will become unnecessary.

Convertibility of a currency means the free exchangeability of it for goods as well as for other currencies. England has commenced convertibility to goods by reopening metals exchanges, wool exchanges, and grain exchanges; and the Liverpool Cotton Exchange is slated to open in May. It has been suggested that convertibility of Sterling to other currencies should commence with foreign-owned balances arising from current transactions and should be denied to old foreign balances and resident balances until the impregnability of the situation should become clear.

The step from inconvertible currency and restricted trade to convertibility and the lifting of trade restrictions is a very serious step for a government to take. In the English experience of 1947, we saw the consequences of taking the decision prematurely and nearly all in one step. The country involved must have the capacity to sell enough of its goods and services abroad to pay for the things that it must buy abroad. Its people must have the self-discipline to resist the temptations of inflation and to accept budgetary, fiscal, and monetary discipline. They must be willing to bear the burden of high interest rates, even at some loss of employment, at times when other means are inadequate to check an adverse balance of payments. The country must have at its disposal sufficient gold and foreign balances of generally acceptable currencies to meet the drains of temporary imbalance or of sharp foreign withdrawals until fiscal and monetary measures and adjustments of interest rates can exert their corrective influences.

Although the successful return of foreign currencies to convertibility is utterly desirable from our point of view, particularly in the case of Sterling, which is the medium for half the World's international trade, I believe the worst thing we could do would be to exert pressure or even insistent influence upon the governments responsible for the decision. It would be better if they failed to take the step than if they took the step and failed. Success is more likely when the responsibility of the decision is squarely upon the government which takes it and when the hearts of the government and people are committed to it. Anyhow what government other than the British Government can judge the capabilities of Britain? — or other than the Netherlands Government the capabilities of the Netherlands? On the other hand, I think we, as a people and as a government, should encourage the nations which conclude that they are ready for return to convertibility, when they themselves make the decision.

The productive capacity and exporting capabilities of the countries of Western Europe have recovered from the low point following the War and now are at higher levels than before the War. With the aid of our grants and loans, these countries have been able to bring their dollar receipts and payments into balance, and several of them recently have made considerable progress in rebuilding their gold and dollar balances. Some think that the conditions have arrived, and others think they are near at hand, to justify the British, the Germans, the Belgians, and the Dutch in moving to convertibility, perhaps by gradual stages and, for some of them, with restrictions at first upon the withdrawal of old balances for foreign account and upon the export of capital by their nationals.

Special Credits to Countries Resuming Convertibility

If any of these countries take the step, it seems generally taken for granted that they will be assisted in the critical early stages by lines of credit with the Inter-

*An address by Mr. Fleming, at the Annual Convention of the National Cotton Council of America, Atlanta, Ga., Feb. 1, 1954.

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national Monetary Fund, to cushion temporary drains. The lines available there are limited; and it may be that the decision and timing of the step by one or more countries will depend upon the availability of supplementary credit from this Country. Within reasonable dimensions, I would favor sympathetic consideration of such additional credits, to serve as standby cushions. I believe the Federal Reserve System would be the preferable vehicle for them. I think the chances are it would cost us nothing but would hasten the termination of our foreign aid burden.

Credit from the International Monetary Fund means credit from the United States as the largest contributor of its gold and hard currency resources, and credit from the Federal Reserve System is credit from the United States. So what I am favoring is that we take a risk upon the success of the return of Britain and several other countries to convertibility, when plans for the return are decided upon by their governments and are found by us to be sound and feasible.

By taking this risk, we would help the countries in question to lift the restrictions which hamper our trade with them and hamper all trade, and we would be helping the World toward that freer movement of goods, men, and money, which is the essence of general growth of business and trade.

But the responsible governments of those countries cannot take this very weighty decision, nor can we stake our money on the success of it, unless they and we are convinced of the mutual intent to do the things that will make success a good calculated risk. We must be convinced that our foreign economic policy consistently will recognize that no nation's receipts and payments can stay out of balance over any long period, and therefore that we will have to buy as much goods and services as we sell, once we discontinue our foreign grants and extraordinary foreign expenditures, except to the extent that our foreign payments may be supplemented by investments abroad. This must mean a continued willingness to expand our imports of complementary products which we do not produce here, moderately to expand our imports of supplementary products which compete with our own productions, and to follow policies benevolent toward investment of our citizens' savings in the development of foreign sources of wealth.

I do not mean that we must commit ourselves to a drastic general reduction of tariffs. I do mean that we must let the World rely upon it that we have turned away from extreme protectionism, that our policy is to moderate our tariff rates that are unreasonable and to iron out tariff complexities and practices, whether statutory or administrative, which have the effect of harassing the importer. I mean we must give the foreigner reason to trust that, if by dint of effort and promotion expense he succeeds in creating a demand for his product here, we will not saw the limb off behind him by raising the tariff rate on it to an exclusionary level. I mean too that we must give the foreigner reason to believe that there will be a growing interest of American investors in good and profitable opportunities to create new wealth abroad, provided the host governments afford the American investor hospitable and equitable treatment, which would add to the dollars available. Wihout these premises, how can a foreign government plan to balance its dollar trade? And how else can we believe in their plans and risk our money on them?

Foreign Investment

In the matter of foreign investment, I believe the activities of governmental agencies such as the Export-Import Bank and the International Bank for Reconstruction and Development must be regarded as a temporary phenomenon, not to be relied upon over any long period. Anyhow the big source of investment never will be the taxpayer; it always will be the accumulator of personal savings and the companies in which he buys stock or insurance. These private funds are available for investment anywhere, if the elements of prospective gain, safety, equitable treatment, and reconvertibility of earnings are present. Of late years, these elements have not been generally present in many parts of the World. Reconvertibility of earnings is incompatible with inconvertibility of currencies. A return of the World's key currencies to convertibility would be the prime ingredient of a more general reconvertibility of the earnings of international investment. Moreover, the return of convertibility would be a big step in the return to the normal traditions of responsible ethics, the field in which equity toward investors lies.

Governments suspend convertibility of their currencies only when their currencies have become unstable; and so return to convertibility implies the return of stability. When currencies are stable, the citizens practice normal thrift, and their savings become the pool of working capital for the nation and its business. When the currencies become unstable, savings in the form of bank balances, loans, bonds, and insurance become a gamble instead of a protection; and the result is a diminished incentive to save and a great haste on the part of citizens to rush their savings into real property or more trustworthy foreign currencies. It is this condition that has denuded some countries of the liquid savings which otherwise would serve them as working capital. A successful return to convertibility and stability of currencies would revive the accumulation of liquid savings in these countries and help to finance the development of their economies and wealth. It also would tempt those who have hoarded gold or real property or have spirited their savings into Swiss francs and dollars, to unhoard and return their savings to their own countries, in quest of attractive earnings. It is interesting and astounding to hear the many and diverse conjectures as to the amounts of this sterilized capital, which convertibility and stability would tend to release to greater usefulness.

For us, whose thoughts and interests are against a background of cotton, the vision of a general move toward convertibility of currencies and toward the lifting of quotas and other trade and exchange restrictions offers a most exciting prospect. The compartmentalization of trade has been the greatest check to an even rise and spread of the tide in World standards of living. The breaking down of the compartments should release this tide; and we should see a spreading increase in World standards of living and World use of textiles, which has been long overdue particularly in the less developed countries.

We should see an end to the kind of compartmentalization which has caused a cotton-importing country to buy from a particular cotton-exporting country because of a trade-clearing or barter agreement between the two, almost without regard to price; and always we should find our cotton salable in foreign markets on even terms of quality and price.

The removal of the bilateral strait-jacket from the great portion of the World's trade which now is confined within it would let the goods involved seek the highest bidder anywhere and let the buyers involved seek the lowest offer anywhere, with great benefit to the aggregate of all trade.

So I believe the vision of convertibility is one of greater wealth, greater trade, greater consumption, and greater opportunity, around the World. Within it lies the prospect of a quickening distribution of our accumulated surplus cotton and of an outlet for our future production, based upon an increasing capability of a growing World population to buy and own clothes. It offers the means of balancing our Country's foreign trade on a high and prosperous level. It offers the promise to the peoples of the World of an expanding abundance, opportunity, and satisfaction within the fold of the Civilization which we cherish and which none abandon unless in surrender to frustration.

Mortgage Money to Be Ample, Says Bogen

New York University Finance Professor tells mortgage bankers Treasury has learned that it is not practical for it to compete with private borrowers on a rate basis.

An ample supply of mortgage funds is assured for the indefinite future as a result of the unsatisfactory experience of the Administration with restrictive Federal Reserve and Treasury debt management policies during the past year, Dr. Jules I. Bogen, Professor of Finance at the Graduate School of Business Administration of New York University, told the Mortgage Bankers Conference.

Dr. Jules I. Bogen

"The Treasury has learned," Dr. Bogen said, "that it is not practical for it to compete in the open market with private borrowers on a rate basis.

"Our public debt is too large, and the potential needs of the Treasury too greatly exceed available or possible savings, to permit such competition. Rather, the Treasury must be content with absorbing the margin of savings that exists in excess of the long-term requirements of mortgage and corporate borrowers. This is negligible in boom years like 1953; it is bound to be quite substantial in years of business recession when private borrowing contracts."

Dr. Bogen felt that an even greater change in the policies of the spring of 1953 is to be expected for the indefinite future in Federal Reserve credit policy.

"With a public debt of $275 billion or more," he said, "and with major financial institutions like life insurance companies, savings banks and savings and loan associations showing an understandable preference for mortgages and corporate bonds over lower yielding Treasury issues, it is not possible to have a free market for Treasury securities in any meaningful sense of the word. The reversal of Federal Reserve policy in May of 1953 was a laudable recognition of the facts of our financial life, and reflected credit upon officials who displayed good sense in reversing policy decisions without delay when this was called for.

"There has also been recognition generally of the fact that there is no need for restrictive credit and Treasury debt management policies to combat inflation. Without further major increases in armament outlays, the ever-growing productivity of American enterprise, providing ample goods and services to satisfy any expansion of civilian demands, is the surest safeguard against a renewal of inflation.

"Without war, deflation rather than inflation is the greater threat."

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The National City Bank of New York announced on Feb. 15 that Charles R. Dodson is joining the Bank as Petroleum Engineer. Mr. Dodson until recently has been a partner in the well-known petroleum consulting firm of Stanley, Stolz and Dodson, Los Angeles, Calif. In his 17 years' experience in the Petroleum Engineering field he has served as Head Petroleum Engineer for the Northern District, Standard Oil of California and Head of the Petroleum Engineering Department for the University of Southern California.

Mr. Dodson will be associated with the Bank's Petroleum Division with Headquarters at 55 Wall Street.

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The appointment of Harold F. Fuller as Assistant Vice-President and Eugene W. Garrison as Assistant Secretary of **Manufacturers Trust Company** was announced on Feb. 15 by Horace C. Flanigan, President.

Mr. Fuller came to Manufacturers Trust Company in 1928. He served as Officer in Charge of the 144th Street Office from 1929 to 1947 and was appointed an Assistant Secretary in November, 1951. Mr. Fuller will succeed John C. Lewis as Officer in Charge of the Melrose Office, 360 East 149th Street, the Bronx. Mr. Lewis was recently appointed a Vice-President of the Company and is now in charge of its 14 offices in the Borough of Queens.

Mr. Garrison came to Manufacturers Trust Company in April, 1944. He had been in charge of the Credit Department at the Melrose Office and in 1952 he was assigned to Branch Loan Administration, Bronx Division.

The appointment of Reuben Bressler and Albert E. Christie as Assistant Vice-Presidents was also announced on Feb. 17 by Mr. Flanigan. Both men are officers in the Bank's Reorganization Department at the Main Office, 55 Broad Street.

Mr. Bressler came to Manufacturers Trust when the Chatham Phenix National Bank & Trust Company merged with Manufacturers Trust in 1932. He was appointed an Assistant Secretary in July, 1945.

Mr. Christie came to Manufacturers Trust after service in World War II and was appointed an Assistant Secretary in December, 1946.

* * *

Kempton Dunn, President and Director of the American Brake Shoe Company was elected a Director of **The New York Trust Company, New York,** on Feb. 16, it was announced by Adrian M. Massie, Chairman of the Board.

Mr. Dunn is a Trustee of the **Franklin Savings Bank, New York.**

* * *

The **Alden State Bank, Alden, N. Y.,** has become a member of the Federal Reserve System effective Feb. 11, 1954.

* * *

A stock dividend of $100,000 increased the common capital stock of **The Hillside National Bank, Hillside, N. J.** from $400,000 to $500,000 effective Feb. 1.

* * *

The First National Bank of Bound Brook, N. J. was increased effective Feb. 4 from $200,000 to $400,000 by a stock dividend.

* * *

Fidelity Trust Company, Indianapolis, Ind., Central State Bank, Indianapolis, Ind. and **The Northwestern State Bank, Indianapolis, Ind.** merged under the charter and title of Fidelity Trust Company effective Jan. 4.

* * *

City National Bank and Trust Company of Chicago, Ill., effective Feb. 2, increased its common capital stock from $6,000,000 to $7,000,000 by a stock dividend.

* * *

The Drovers National Bank, The Drovers Trust and Savings Bank, Chicago, Ill., announced the death of their Senior Vice-President Mr. Frederick N. Mercer on Feb. 2, 1954.

* * *

By the sale of new stock effective Feb. 1, **The First National Bank in Little Rock, Ark.,** increased its common capital stock from $500,000 to $750,000.

* * *

Effective Feb. 4 the common capital stock of **The First-Hardin National Bank of Elizabethtown, Ky.** was increased from $150,000 to $300,000 by a stock dividend.

* * *

The President and Board of Directors of the **City National Bank, of Baton Rouge, La.,** announced that Mr. A. K. McInnis has become associated with the bank as an active Vice-President.

* * *

The Groos National Bank of San Antonio, Texas, increased its common capital stock from $350,000 to $600,000 by sale of new stock effective Feb. 1. The proposed plan of the sale of this stock was given in these columns on page 273 of the Jan. 21, 1954 issue of the "Chronicle."

* * *

Ben R. Meyer, Chairman of the Board of **Union Bank & Trust Co. of Los Angeles, Calif.** was elected to the post of President, at the Board of Directors meeting, to fill the vacancy left by the recent death of President Herman F. Hahn. Hal W. Cross, Cashier, was elected Vice-President in charge of operations; William J. Hunter succeeded to the office of Cashier; and W. W. Blakely was named Assistant Cashier.

Mr. Meyer has been associated with the bank in an official capacity since it opened for business on July 1, 1914. He was Vice-President and Director at that time and was named President in 1916, serving in that capacity until May 12, 1950, when he was elected Chairman of the board and was succeeded by Mr. Hahn in the Presidency.

John R. Nunnery Resumes Investment Business

MERIDIAN, Miss. — John R. Nunnery is resuming a business in investment securities from offices in the Citizens National Bank Building, under the firm name of John R. Nunnery & Co. He will specialize in municipals, unlisted securities and investment trust shares.

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Optimism on London Exchange

By PAUL EINZIG

Commenting on rising prices of British industrial stocks on the London Stock Exchange, Dr. Einzig lays immediate cause to increase in dividends and the issuance of bonus shares by a number of firms. Finds, however, that a more fundamental factor is the deferred manifestation of the effects of inflation on securities representing assets with intrinsic value. Says also, international outlook is viewed with more optimism.

LONDON, England—Despite fears expressed by many economists, financial editors, politicians, and even some bank chairmen, as to the course of business activity, the London Stock Exchange continues to operate in a bullish manner. In spite of what has been said and written about the American business recession, the threat to British business prosperity through excessive wages demands, and the general uncertainty of the outlook, British industrial stocks are rising slowly but persistently. Indeed early in February they came to within reach of the post-war record attained in 1947 as a result of Dr. Dalton's cheap money policy. This in spite of the moderate but noteworthy decline of industrial profits during 1953.

Dr. Paul Einzig

The immediate cause for this optimism is that in recent months a number of firms increased their dividends or issued bonus shares. It seems that, unless the Government should decide to adopt legislation limiting dividends—which it is most unlikely to do, seeing that even Socialist Chancellors of the Exchequer were unwilling to go to such lengths—there is a likelihood of a number of long-deferred dividend increases. It is also probable that a number of firms will be allowed to capitalize their undistributed profits through the issue of stocks on bonus terms. The anticipation of such developments is quite sufficient to provide a practical explanation of the firmness of the London Stock Exchange.

There is, however, a more profound reason underlying the movement. Usually when a trend is perfectly capable of being explained by some obvious superficial cause, there is more than meets the eye, in the form of fundamental factors at work. In the present instance the firmness of industrial stocks is a deferred manifestation of the effects of inflation on securities representing assets with intrinsic value. Throughout the inter-war period, and also after the second World War in countries with more advanced inflation, the prices of securities of firms with tangible assets and with an elastic earning capacity responded to inflation. Indeed even the anticipation of inflation was often sufficient to make such securities rise.

In post-war Britain this adjustment of industrials to the inflated price level has hitherto been prevented by the unofficial limitation on dividends. It is true, high taxation was in itself sufficient to prevent net company earnings from rising to the full extent justified by the inflationary rise in prices. But, in addition, the shareholders have been prevented from benefiting by the nominal increase of the taxed profits of their firms. Much of the additional profits has been ploughed back into the firms, or is kept as a liquid reserve. In either case the intrinsic value of the shares has increased. Their Stock Exchange prices, on the other hand, remained until recently under the depressing influence of dividend limitations.

Now that the limitation is relaxed in defiance of the Government's oft-repeated declaration that it must be maintained, natural economic forces making for higher share prices have been making themselves felt. It is of course difficult to say to what extent this movement has already spent its force by the rise during recent months, but on the whole the chances are that it will continue for some time unless it is offset by some unfavorable development at home or abroad.

In addition to the fundamental economic factor and the immediate practical financial factor, there are other factors making for higher Stock Exchange prices. The international political outlook is viewed with more optimism, in spite of the difficulties encountered at the Berlin discussions. A few months ago it was feared that hostilities in Korea might be renewed. Now it seems practically certain that in that sphere at any rate there is no need to expect any disturbing developments.

Nor is there any reason to fear that Mr. Butler may have to decide to raise the Bank rate and reinforce credit restrictions. Even though the balance of payments could do with a further improvement, its conditions are not such as to call for drastic action. Indeed the possibility of a further lowering of the Bank rate cannot be ruled out. This would cause an immediate rise in Government issues, and industrials would follow this tendency in due course.

The storm clouds of a business recession in the United States and of a decline of British exports through unduly high wages remain of course on the horizon. There is little that can be usefully said about the former. We just have to wait and see. In regard to the latter, there can be no doubt that the relaxation of the limitation on dividends tends to encourage wages claims. Now that after so many lean years, during which dividends lagged far behind the rise in the cost of living, the long-suffering investors are beginning to come into their own, the industrial workers insist that they too are entitled to disregard the so-called "wages ceiling." That ceiling has never been very rigid, much less so than the dividends ceiling. It has followed, and has at times preceded, the rise in the cost of living. Nevertheless, the Trades Unions insist that if there is more money for the shareholders there must be more money also for the employees.

There is of course much vague talk about "increasing the size of the cake" through increasing productivity as a result of which there should be more money available for both employees and shareholders. But it would be self-deception to be too optimistic about this. To be able to increase productivity to any considerable extent would require capital investment on a large scale. And any noteworthy stepping up of the capital investment programme at a time when consumers' purchasing power is increased through higher wages and dividends would produce inflation long before the new capital investment can bear its fruits in the form of bigger output or lower cost of production.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market is still digesting the new securities which came out of the refunding operation, with particular emphasis being put on the 2½s due 1961. It is reported that many institutions are still making adjustments in their portfolios with the purpose in mind of building up positions in the recently offered 2½% obligation. It is evident that the commercial banks, especially the smaller out-of-town ones, are still the leaders in this operation.

Although it will probably take a bit more time to get the technical position of the market into good shape again, there are reports that large blocks of the intermediate and longer-term bonds are being bought by investors. It seems as though the belief is rather widespread that the easy money policy of the powers that be will result in lower yields for the outstanding obligations. Although the opinions are still very strong that a long-term bond for new money purposes will be sold in the near future, some money market specialists would not be surprised if this did not take place.

$11 Billion 2½% Bonds Issued

The announcement by the Treasury that holders of the government securities which matured or were called for payment and were involved in the February refunding operation took $11,000,000,000 of the seven and three-quarter year 2½% bond shows that the money markets had been well prepared for the intermediate-term obligation. To be sure, those that had to have a shorter-term issue went for the 1⅝% certificate because of the need for liquidity. On the other hand, the extending of the maturity of $11,000,000,000 of the retirable securities is a very favorable development and one which will no doubt be continued in the future since it is the stated policy of the powers that be to move maturities out into the more distant areas.

New Bonds Deemed Attractive

It is the opinion of many money market specialists that the market will not need too much time to fully absorb the refunding 2½s of 1961. This bond has a very desirable coupon rate, the maturity is also to the liking of most institutional buyers and there are prospects of price appreciation. The fact that the money markets are being kept on the easy side adds to the attractiveness of the recently offered security. There is, however, the possibility that other intermediate term issues will be offered in the not distant future but if the present trend of interest rates continues, the coupon rate on such an obligation will not be as favorable as was available in the recent offering.

The Discount Rate Slash

The lowering of the rediscount rate from 2% to 1¾% was a natural development because the Federal Reserve has been keeping money market conditions on the easy side through the medium of open market operations. Open market operations and the discount rate go very much hand in hand in our monetary economy and since the open market operations had put the money market in an easy phase it was purely a question of time before the discount rate would be reduced to bring it in line with the other rates.

Will Prime Rate Be Reduced?

With the decrease in the discount rate comes greater pressure on other rates, especially the prime bank rate. There seems to be no great amount of agreement yet as to when the prime rate might be lowered, because there are many bankers who hold the opinion that it will not be cut. However, if the pressure continues on the money markets for easy money conditions—and there are no signs that this will not be the policy in the foreseeable future—it is believed that the prime bank rate will have to go to lower levels.

New Money Issue Awaited

The money market is now looking toward the new money financing which the Treasury will have to do in the not too distant future, probably some time in April. The talk still is very strong that a long-term obligation will be sold by the Treasury in order to obtain the needed funds. There appears to be no doubt about the Treasury being able to sell such an obligation and the coupon rate would be under 3% unless a very long-term issue were to be offered. However, there appears to be considerable question among money market specialists as to the advisability of a long-term obligation at this time for the raising of new money.

It is evident that Federal has been building up the market not only for future financing but also for the purpose of bolstering the economy through monetary measures. This type of monetary action seems to be predicated upon the idea that bank deposits be maintained if not expanded. Therefore, the securities to be offered for new money should be tailored to appeal to needs of the deposit institutions. This would leave the non-banking institutions in a position to supply funds to the mortgage market. The kind of new money financing that the Treasury does in the future will probably tell whether Federal and the Treasury are working together or are going their own separate ways.

Singer, Deane to Admit

PITTSBURGH, Pa.—G. Harton Singer, III will become a partner in Singer, Deane & Scribner, Union Trust Building, members of the New York and Pittsburgh Stock Exchanges.

Now Scheffmeyer Co.

The firm name of Vernon C. Brown, Scheffmeyer & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, on Feb. 8 was changed to Scheffmeyer & Co.

Leo Newman to Join American Secs. Corp.

Leo Newman

BOSTON, Mass.—Leo Newman will shortly become associated with American Securities Corporation, 111 Devonshire Street. Mr. Newman has been with Eastern Securities, Inc. and J. Arthur Warner & Co. for some years in the trading department.

Washington Inv. Analysts Formed

WASHINGTON, D. C.—A group here in Washington composed of trust investment officers, insurance company investment officers, partners and analysts of investment firms, government analysts from the SEC, etc., and professors and instructors in investments from the local universities have recently joined together to form The Washington Society of Investment Analysts.

At a final organizational luncheon meeting held on Feb. 10, 1954, the following officers of the Society were elected:

President—C. Ford Blanchard, Public Utilities Specialist, Federal Power Commission.

Vice-President — Wilbur C. Dieter, Trust Investment Officer, Union Trust Company, Washington, D. C.

Secretary—Robert A. Adriance, Treasurer, United Services Life Insurance Company, Washington, D. C.

Treasurer—Henry Merritt Cunningham, Instructor in Investments, School of Foreign Service, Georgetown University.

The Society has invited outstanding men in the local and national business communities to speak before its membership at luncheon meetings being scheduled for the future.

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Railroad Securities

N. Y. Central — MOP — Illinois Central

For the first time in a long while there has been considerable dynamism in the railroad stock market. **New York Central** has fairly consistently been the most active stock on the New York Stock Exchange in the recent past, reflecting public interest in the fight for control that appears to be impending. Refused representation on the Board of Directors, Mr. Robert R. Young has declared that he will present his own slate at the next annual meeting and will actively seek proxies from the public holders. The Central management has accepted the challenge. The fight promises to be quite interesting, with Mr. Young claiming that substantially higher earning power could be developed under his management and with changed policies.

Another stock that enjoyed considerable popularity early this week was the old **Missouri Pacific** preferred. In a radio broadcast Sunday night, and in the newspapers on Monday morning, one of the more widely read columnists predicted dynamic action for the stock over the relatively near future. By the opening Monday such substantial buying orders had accumulated that it was two hours before the stock could open and when it did so it traded in a large block at a price 5½ points higher than the previous close. Everyone has been looking for the ICC examiner's proposed report on the company's reorganization to be released at any time. While it is generally anticipated that a new plan will be more liberal than the old one, there is considerable question in the minds of many analysts as to whether the capitalization can be expanded sufficiently to justify the present advanced price of the preferred.

The third stock to attract attention with wide swings was **Illinois Central** common. The stock had been particularly strong throughout most of last week on rumors that the dividend would be increased and the stock split. During the trading period Friday it was announced that only the regular $1.25 quarterly dividend had been declared and no mention was made on the news tickers of any split. There was considerable disappointed selling following the announcement. Subsequently it was announced that the two-for-one split of the stock had been authorized by the Directors, subject to approval by stockholders and by the ICC. An accumulation of buying orders also made it difficult to open this stock on Monday morning and the initial sale took place late in the morning four points above Friday's close and duplicating the previous 1953-1954 high of 90. All three of these dynamic stocks retreated from their opening highs later in the day in sympathy with the general market trend.

While there was some early disappointment over the failure of directors of Illinois Central to increase the regular $5.00 annual dividend rate at this time, there is widespread feeling among railroad analysts that the decision to split the stock probably presages more liberal dividend policies in the not too distant future. Certainly the company's earning power, financial progress, and favorable prospects combine to justify such hopes. There is no road in the country that has done such a comprehensive job in reducing its debt as has Illinois Central, except in instances of judicial reorganization. This job is now completed, with the goal of a one mortgage road achieved. Also, finances are more than adequate. It is indicated, therefore, that the company can henceforth afford to distribute a larger share of reported net to the stockholders.

Earning power is high. Over the past 10 years, share results on the common have averaged $12.87 and last year they hit a new high of $18.59. Thus the company, conservatively capitalized and financially sound, is paying out less than 30% of available net to the common stockholders and the stock is selling less than five times last year's earnings. Moreover, the management has expressed considerable confidence over the outlook for the current year. In December, 1953 Mr. Wayne Johnston, President, was quoted in the press as anticipating a drop of only 4½% in gross revenues in 1954, based on the road's better-than-average traffic status. At the same time, he estimated that operating costs could be cut by approximately $6 million. On such a basis it would be indicated that the road could earn somewhat above $15 a share in the current year, with the present dividend representing a pay-out of only a third of that amount.

Continued from page 14

Reflections on Guaranteed Wage

ness contraction. The effect may not be very great and it may be pretty much limited to industries which produce rather specialized products. Nevertheless, it is a mistake to assume that management in these days of well-developed industrial research can do little or nothing about cyclical unemployment.

(2) **The administration of supplementary unemployment compensation.** The proposal of the United Auto Workers Union that there be joint administration of supplementary unemployment compensation impresses me as quite undesirable. In fact, it is a more or less impertinent suggestion that private machinery be created to replace public machinery. The union proposes that if a state agency declines the claim of a worker to unemployment compensation, the joint machinery established under the supplementary unemployment compensation plan may pay the unemployment benefits to the worker. It would be unwise for employers to agree to such a proposal.

(3) **The problem of pooling reserve funds.** It remains to be seen whether reserve funds brought into existence as the result of union negotiations can be pooled. It is plain that employers will be most reluctant to do this. Certainly every automobile manufacturer would strongly resist the demand that he build up reserves which might be drawn on by his competitors. In order for there to be a broad pooling of risks, unions in different industries would need to cooperate in demanding pooling. I do not believe that the unions in non-cyclical industries, such as meat packing, would be interested in having the reserves of the employers in their industry pooled with the reserves of employers in cyclical industries, such as the automobile industry.

(4) **The timing of the adoption of guaranteed annual wage plans.** Reserves should be accumulated for at least a year before benefits are paid. If the accumulation of reserves results in an increase in the ratio of savings to personal incomes, it would be deflationary. Hence, supplementary unemployment compensation plans should not be started when business is contracting, unless both parties are convinced that the accumulation of reserves would not be deflationary.

V

Which is preferable—the traditional type modified by reserve funds and limited liability, or the supplementary unemployment compensation proposed by the unions? The answer depends on the nature of the industry. For relatively non-cyclical industries in which employers have considerable control over the volume of employment, the modified traditional plan seems preferable for the prosperous concerns. This plan would be more effective in sustaining personal incomes well into the recession—in fact, in the prosperous firms in such industries the reserves might not be exhausted even late in an extended recession. For weak firms in such industries, the supplementary unemployment compensation proposed by unions would be preferable. For cyclical industries in which the employer's control over the volume of employment is quite limited and in which recessions are likely to produce extended periods of cyclical unemployment, supplementary unemployment compensation of the sort now proposed by unions would be preferable. It would interfere less with the movement of labor out of the industries and it would be more likely than the traditional kind of guaranteed annual wage to give workers in cyclical industries some income right through the recession.

VI

Would some form of guaranteed annual employment or wage or supplements to unemployment compensation, such as the traditional guarantee plans modified by the addition of reserves and limits on liability, or plans of the general sort now proposed by some unions, be good for the community? I think that the answer is "Yes." Either arrangement would be a useful form of built-in stabilization. But it should be borne in mind that the building up of reserves should be provided for and the liability of employers should be limited. Otherwise, the plans would do more harm than good. And unless the guaranteed annual wage plans or supplementary unemployment compensation were widely adopted, their stabilizing influence would not be great.

The principal objection to the union proposals for supplementary unemployment compensation is that it makes quite uneven provision for unemployment. The supplementary unemployment compensation is not available to unorganized workers. Since pooling of reserves and liabilities is probably not feasible in the case of privately negotiated plans, the union plans are likely to result in the most adequate provision for unemployment compensation where the need is least and the least adequate provision where the need is greatest.

Far preferable to a spotty extension of supplementary unemployment would be a broad liberalization of the state unemployment compensation schemes. Hence the unions are performing an important public service in calling attention to the great need for substantially liberalizing the present unemployment compensation schemes. And until employers make an effort to persuade legislatures to liberalize unemployment compensation schemes, they are not in a good position to oppose the efforts of the unions to accomplish the same result by collective bargaining.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Easing in the demand for credit and action by the Federal Reserve to increase bank reserves has been reflected in a softening of interest rates in recent months. This in turn has focused attention on bank operations and caused uneasiness in some quarters in the outlook for earnings in the current period. Some background, however, may help to give perspective to current conditions.

After increasing sharply in 1952, loan volume continued very strong in the first half of 1953, reflecting the high level of industrial activity and business expansion. As a result, bank loans in the early months of last year did not show the usual seasonal decline and at the end of June, 1953, were actually close to the record reached in December, 1952. In the final six months, on the other hand, an easing tendency in price trends and economic activity was noticeable and business borrowing failed to show the normal seasonal expansion. At the end of December, loans at many of the larger banks were lower than the previous year by a small margin.

Since the beginning of this year business loans at banks in the New York area have been declining. In five out of the past six weeks the total of commercial, industrial and agricultural loans has been lower. The cumulative decline since the end of the year has been $463 million as compared with a drop in the similar period of 1953 of $161 million. Of course it should be pointed out that whereas a year ago seasonal factors were not very important this year they are. Also the current liquidation is coming at a time of declining business activity. There is also the fact that the expiration of the excess profits tax on Jan. 1, 1954 caused many borrowers to pay off loans that had formerly been maintained because of the tax advantage it afforded.

In the coming months it is likely that demand for loans will continue to be less than last year because of the factors mentioned —seasonal considerations and business activity.

Many people believe the readjustment in business has now been completed or will be by the end of March and that an upturn will occur at that time. If so some expansion in loans is to be expected.

The softening in credit which occurred combined with certain actions taken by the Reserve authorities has substantially changed some interest rates.

Beginning last July reserve requirements were reduced by two percentage points at Central Reserve City banks. Since then the rate on Treasury bills, one of the more sensitive rates, has declined from near 2% to about 1% currently. Actually at one time the rate was close to 0.90% several weeks ago. Commercial paper rates have also been reduced. Rates on top-grade paper have been cut five times in the past five months. During the same period the bond market, both municipal and corporate, has staged a sharp rally with a corresponding decline in yields.

As a confirmation of existing conditions and a positive indication of Federal Reserve policy the rediscount rate at the major money centers was recently reduced from 2% to 1¾%.

The changes in these sensitive rates have been among the most rapid on record. Yet during this entire period the prime loan rate at major money centers has remained officially unchanged. The last change was made in April, 1953 during a period of active loan demand and some credit stringency when it was raised from 3% to 3¼%.

In view of the changes which have taken place since that time there had been some expectation that the prime rate might be reduced. However, as pointed out at various bank annual meetings, the demand for loans is still relatively good. The decline which has occurred has been from a relatively high level and in terms of percentages is fairly mild.

Of course, it is possible that some institutions may reduce the rate, in which case other banks would follow. However, in recent weeks there seems to be a feeling that rates will be determined more by negotiation between lender and borrower. This would mean ignoring the prime loan rate.

In this connection it is understood that several of the larger banks have made commitments for loans at rates below the official rates. It is likely that such a trend will continue in the coming months.

Even so, current rates on loans compare favorably with those of a year ago indicating that interest from this source will be well maintained.

Also it should be remembered that many banks took advantage of the high yields prevailing last year to establish tax losses and reinvest funds at the favorable returns then prevailing. This should carry over into the current period.

Lastly, it is well to mention that the current policies of the Federal Reserve could result in a further reduction of reserve requirements that could add to earning assets and help to bolster earnings.

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Mutual Funds

By ROBERT R. RICH

Hugh W. Long Reorganizes Six Funds Into Four

Plans have been submitted to shareholders under which Investors Management Company, Inc., headed by George E. Roosevelt, Chairman, and W. Emlen Roosevelt, President, is to absorb the research personnel and facilities of Hugh W. Long and Company, Inc., and become investment advisor to all of the funds sponsored by the Long organization, with total assets of $257 million, as part of an integration prgoram involving merger of two of the funds.

The unification program includes the following: Fundamental Investors, Inc., is to acquire by merger the assets of the Investors Management Fund, which has parallel investment objectives and a similar portfolio. Fundamental's assets would thereby be increased to approximately $180 million.

Diversified Funds, Inc., now embracing three funds, would become a single fund, Diversified Investment Fund, Inc. Into this, would be merged the assets of Diversified Common Stock Fund on an asset value basis. Both have income as a primary objective. Shares of the present Diversified Growth Stock Fund would be exchanged for shares of a new separate corporation with the same name, objectives and policies, and the same net asset value per share.

Manhattan Bond Fund, Inc., would remain the same except that Investors Management Company would become its investment advisor.

Investors Management Company has guided the investments of Fundamental Investors and Investors Management Fund for many years. Hugh W. Long and Company would continue to serve all the investment companies as underwriter.

Wm. Gage Brady, Jr., formerly Chairman of the National City Bank and now Chairman of Fundamental Investors is expected to become Chairman of all the funds and of Hugh W. Long and Company.

The directors now serving the various funds will be combined into identical directorates of nine members for each fund.

In view of the proposed mergers, public offering of shares of Investors Management Fund and Diversified Common Stock Fund has been discontinued.

Commenting on these developments, Mr. Wm. Gage Brady, Jr. stated, "The proposed integration of our facilities will result in a group of four distinctively different mutual funds meeting all of the investment needs which, in our opinion, can be served advantageously by investment companies. The four mutual investment companies would all be under the investment guidance of Investors Management Company—an organization carrying on a business founded three decades ago — in 1924—for the management of mutual fund investments."

ANY FEARS that recent trends of commodity prices portend a severe decline in general business appear groundless, according to the current issue of "Perspective," issued by the investment management department of Calvin Bullock.

Pointing out that the Federal Reserve Board adjusted index of industrial production declined 7.3% between May and December, 1953, the review says:

"During this same interval, wholesale prices of all commodities rose very slightly, from 109.8% of the 1947-1949 base to 110.1%. Coming down into 1954, we find that the weekly index of wholesale commodity prices stood at 110.9 as of Jan. 30 as compared with 109.8 as of May 30, 1953.

"There have been relatively wide variations of both direction and degree of movement as between industry groups of prices, and even wider variation as between individual commodities. Such disparities are entirely according to Hoyle, and as far as the over-all picture is concerned the commodity price history of recent weeks and months has been notable for its stability.

"This marked stability of prices, particularly in the non-farm segment of the economy, is one of the most significant plus factors in any appraisal of the current business outlook."

AFFILIATED FUND, Inc., second largest common stock fund, reports a new high record of net assets on Jan. 31, 1954 of $259,890,647, equivalent to $5.01 per share, and comparing with net assets of $248,744,204, equivalent to $4.81 per share on Oct. 31, 1953, end of the company's last fiscal year.

The common stocks of four companies were added during the three-month period: Allis-Chalmers, International Harvester, P. Lorillard and Chas. Pfizer.

The common stocks of six companies were eliminated: Humble Oil & Refining, Monsanto Chemical, Montana Power, Pittsburgh Consolidation Coal, Square D and Wisconsin Electric Power.

DEALERS replying to a recent questionnaire showed general satisfaction with Group Securities Visual Sales Presentation, first distributed in limited numbers last June.

All said the Visual promoted an understanding of mutual funds, and virtually all conceded the value of appealing to both the eyes and ears of the prospect when making a sale.

Among the features of the Visual receiving a high degree of approval was the aid it gave in setting up mutual funds as important in financial planning, and in providing a favorable background for closing sales. Many gave testimony to the overall helpfulness of both the Visual and the accompanying planning folder. While some dealers felt that the Visual should contain more information, others voted for less explanatory material.

Among those who liked it but were not yet using it regularly, there was some admission of their reluctance to use an organized presentation while still others commented that they "just hadn't got around to it yet."

"For many salesmen," Distributors Group, the sponsor, states, "the estate planning principle of selling is a new approach. To realize its full potential, as the insurance industry has done, requires an open mind and a willingness to develop new skills in using the tools of estate planning. We are confident that over the next few years its effectiveness will be widely appreciated."

SOVEREIGN INVESTORS, Inc. has reported a 15.4% increase in total net assets during 1953. The Dec. 31 total of $748,813.38 compares with $648,313 a year ago. The number of outstanding shares increased 26½% to 96,093.4 during the year.

Sovereign, during its 17th year of operation, made four distributions to stockholders. A total of 44½ cents per share was paid from investment income and 5½ cents per share was paid from capital gains.

It was also announced that the management was setting up an investment plan as a convenient means for investors to accumulate shares of Sovereign Investors on a systematic basis.

Affiliated Fund
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Fundamental At $156 Million

Net assets of Fundamental Investors totaled $156,418,155 on Dec. 31, 1953, according to Wm. Gage Brady, Jr., Chairman, compared with $150,947,014 12 months earlier.

Net asset value per share was $19.02 after payment of 9.24 cents per share in security profits during the year and compared with $20.58 on Dec. 31, 1952. Number of shareholders increased by 21% in 1953 to a total of 50,361. Dividends from net investment income totaled 91 cents per share vs. 90 cents in 1952.

Securities newly added in 1953 to Fundamental's holdings included Minneapolis-Honeywell, Bendix Aviation, Dixie Cup, Container Corp., Continental Can, Louisiana Land and Exploration, Central & South West Corp., C.I.T. Financial, Commercial Credit, Canada Dry, Eastman Kodak, Caterpillar Tractor.

Commenting on the economic situation, George E. Roosevelt, Chairman, and W. Emlen Roosevelt, President of Investors Management Co., Inc., the Fund's investment advisor, stated: "In terms of general economic activity, the year 1953 was one of the best in our country's history. We believe that 1954 will be a good year in this respect too, even though it may not match 1953.

"Our expectation is that such economic indicators as disposable income, industrial production, wholesale commodity prices and new construction will be moderately lower than 1953 levels. Even so, in our judgment, a number of companies will enjoy 1954 earnings at least equaling those of 1953. Current and prospective earnings and dividend yields appear to us to justify prevailing levels of common stock prices.

"In recent months, there has been a change of emphasis in our government's economic and fiscal policies. They provide evidence of the willingness of the Federal government to bend its efforts to sustain business activity and the country's general prosperity and to do so with alacrity." The report contains a review of the Fund's 21 years of operation.

Broad Street Fund To Merge With Conn. Investment

A proposal to combine The Connecticut Investment Management Corporation, a closed-end investment company founded in 1931, with Broad Street Investing Corporation, a mutual fund dating from 1930, was announced by H. Crowell Freeman, President of the Connecticut company.

Mr. Freeman stated that the proposed transaction would involve exchanging the assets of The Connecticut Investment Management Corporation at market value for Broad Street Investing shares with an equivalent asset value. The Connecticut firm would then distribute Broad Street Investing shares to stockholders for their shares of The Connecticut Investment Management Corporation.

The transaction, Mr. Freeman stated, is subject to ruling that it will be substantially tax free to both the Connecticut company and its stockholders. On Dec. 31 the Connecticut firm had 2,105 stockholders and $735,247 assets; Broad Street Investing had assets of $36,182,000 and 9,970 stockholders.

The Connecticut corporation's stockholders are being asked to approve the transaction at a special meeting to be held on March 15 at Hartford.

In the management's letter to stockholders recommending approval of the proposed transaction, Mr. Freeman pointed out that because of its small size the company's operating costs have been relatively high in relation to the investment income received.

He added that there is no prospect, even over the longer term, of bringing expenses into line. For the six months ended Dec. 31, 1953, the company's operating expenses amounted to 31.6% of gross income. The comparable expense ratio of Broad Street Investing for the year ended Dec. 31, 1953 was 7.8%.

Mr. Freeman noted that Broad Street Investing's expense ratio is low in the investment company field because of its participation with three other investment companies in the ownership of Union Service Corporation, a company that furnishes it with investment research and administrative services at cost.

In his letter, Mr. Freeman stated, "We would like particularly to call your attention to the record of Broad Street Investing, since it began operations in 1930. It is the opinion of your management that the record is good and that your confidence in the organization behind the record, which has been actively engaged in the investment company field for over 20 years, is warranted."

The Connecticut Investment Management Corporation is the second firm to be involved in a combination with Broad Street Investing this year. In January, Francis F. Randolph, Chairman of the Board and President of Broad Street Investing, announced that the 24-year-old mutual fund had acquired the assets of Ferncliff Trading Corporation.

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Continued from page 3

Are We in for More Inflation?

would be forced into bankruptcy by wage increases in a period of declining business. The 80 to 90% of our people who did not directly benefit from these wage increases would find themselves increasingly unable, or unwilling, to pay the higher prices, with the inevitable result that sales would decline and large scale unemployment would revelop.

As this analysis indicates, the inflationary pressure developing from any large-scale effort to maintain prosperity by paying higher wages in the face of declining sales would soon solve itself; so, the real danger here is not inflation but accelerating deflation!

The Public and Inflation

The attitude of the public on inflation is a curious contradiction. On the surface, inflation is opposed as being something akin to original sin! But, in reality, the public loves everything about inflation except, of course, the higher prices! Frankly, the American people, regardless of their own best interests, would undoubtedly prefer inflation to the wide swings of the business cycle such as we suffered between our two world wars. This inflation-as-a-way-of-life philosophy will reach dangerous proportions if business should decline sharply. My conclusion is based on the fact that so many of those in business today either don't know or have forgotten how savage competition can be when business begins to decline. As a result, adverse developments in the days ahead will be magnified out of all proportion to their importance, which will further contribute to the downward swing and demands for "relief."

This lack of perspective on such a large proportion of our present business generation might be characterized with these words from the Old Testament: "Now there arose up a new king over Egypt, which knew not Joseph."

The Economists and Inflation

Many economists are by no means averse to a mild and continuing inflation. They feel that the advantages of such a policy outweigh the disadvantages. In fact, Professor Slichter of Harvard has publicly maintained that inflationary doses of, say, 3% a year are necessary to keep business activity from falling to politically unacceptable levels. And, now Professor Clark with his $20 billion tax cut and budget deficit proposal trumps the field!

Such opinions clearly indicate how deeply ingrained the Keynesian — New Deal philosophy has become in economic thinking. In fact, it is so widely accepted, even today with the Republicans in Washington, that many businessmen are relying more on the government than on themselves to prevent the economy from slipping into a serious recession.

Will Further Inflation Be Necessary?

Let us now briefly analyze our economy and the outlook, to see if a "shot in the arm" of such huge dimensions will be necessary; and, if not, what will be needed to keep the economy at reasonably "normal" levels.

In any such analysis, it must never be forgotten that the American economy is "something new under the sun." The American economy, long based on mass production and mass distribution, has had many things new added in "our time"! The bloodless revolution of the 30's with its tremendous changes in the distribution of the national income; the increasing use of taxation — high progressive income taxes, high capital gains taxes and high inheritance taxes — to spread the national income and the wealth; the almost universal acceptance of pension and social security plans as a responsibility of business; the willingness of Americans to save huge and unprecedented sums to protect their future; and the willingness of owners and management to take the risks of investing huge and unprecedented sums in plant and equipment expansion and in research, are a few of the more important of these new factors.

In addition, today, there are many basic elements of strength which we never had before in the American economy.

First, **many weaknesses have been eliminated.** For example, bank failures, which always aggravated previous downturns in business activity, are a thing of the past. Instead of increasing the downward swing in an effort to save themselves, the banks are now in a position to do a great deal to ameliorate it. Thanks to deposit insurance, they no longer have to worry about being stabbed in the back by a panicky run of their own depositors. Mortgage credit, especially on 1-4 family houses, is no longer on a dangerous **term** basis, but is almost entirely on the installment plan, and a great deal of it is guaranteed by the government in one way or another. Farm price support legislation — whether sound or unsound—prevents farm income from dropping to disastrously low levels. Social security is well-nigh universal, and the economic security of our people is greater than ever before.

Second, **there are many new, and many increased, direct elements of strength.** To mention but a few, American production facilities are more modern than ever before, in fact, nearly **half** of our production facilities have been installed since the end of World War II. Our economy is more dynamic than in the past. Every year billions of dollars are being spent on research, giving birth to new products and new values. The population is increasing at a breath-taking rate —4,000,000 babies were born last year and a bouncing crop of similar proportions is expected this year. But the greatest contribution to the dynamic character of the American economy is the steadily rising standard of living. In short, more people want more! And, if they don't have the money to pay for it, they don't hesitate to go into debt for it, as the present **huge** volume of consumer credit of more than $28 billion so eloquently testifies.

Clearly, from an economic standpoint, we were never in better position to avoid the use of inflationary measures to prevent a readjustment from assuming a more serious character.

The "More Valuable Dollar" Need Not Be Sacrificed

Even from a political standpoint, the "more valuable dollar" need not be sacrificed in the fight against deflation. Both business and government can do many sound and economically justifiable things to counteract the downward swing in business and prevent it from getting out of control. The dangerous artificial stimulation of $20 billion of deficit financing can be avoided if there is a real desire to avoid it —and I believe there is such a desire.

What can business do to counter deflation? First, improve efficiency and cut costs; and this can be done, as the long period of lush years of sellers' markets permitted wastes to creep in. Second, instead of attempting to maintain prices by legislation or reduction of output, follow the more realistic policy of fitting prices to the market. It will have to be done sooner or later, so why not adjust before the market becomes demoralized? Third, insist that all wage increases, whether "fringe" or direct, be offset by increased productivity. And, this can be done, too, as everyone knows! And, finally, revive the art of salesmanship! This has been belabored so much recently that I'll just say it will have to be done the hard way, through developing the sales force. It can't be done with mirrors; nor even with another million for TV advertising!

What the Government Can Do to Counter Deflation

What can the government do to prevent the current normal readjustment from developing into a business setback more serious in character? The answer is: Many things! More specifically, the government has at its disposal both credit and fiscal powers of vast dimensions.

As bankers know only too well, especially after last spring, these credit powers may be either **quantitative or qualitative.**

Quantitative credit measures would be those which would increase the availability of credit, or reduce its cost. For example, reserve requirements, which are high at present, could be lowered; or, the discount rate could be reduced; or, open market operations could be increased. Whatever method is used, the easier money conditions caused by the use of such quantitative credit measures would encourage capital expenditures by business and, especially by political subdivisions for roads, schools, etc., the biggest remaining backlog in America today.

Qualitative credit and capital measures also can be used to stimulate the economy. FHA and VA regulations and, if necessary, legislation can be changed to channel vast amounts of capital to home construction which, as is well known, has a powerful effect on business activity. Slum clearance and low-cost housing in congested areas could be stimulated in similar fashion. Such qualitative measures could be used to support business volume without increasing the Federal deficit to any appreciable extent.

On the **fiscal** side, our extremely high level of taxes and the unsound character of the tax structure present unusual opportunities to influence favorably business activity without materially increasing the Federal deficit. The potentialities in the changes recommended in the Budget Message are so great that it is doubtful that they would adversely affect the Treasury in the long run, although they obviously would reduce revenues when first inaugurated. The changes which are now under consideration are:

(1) Alleviation of the double taxation on dividends.

(2) Revision of excise taxes.

(3) Modification of the depreciation provisions of the Internal Revenue Code.

Careful study of the President's Budget Message is bound to convince any fair-minded observer that the government is on the right track in fiscal matters, even though it is a slow, uphill course. This is indeed encouraging to those who favor sound money.

Conclusions

While it is true that our economy has a built-in inflation bias, it is also true that our business men have a built-in production bias!

All basic economic forces point to a more valuable dollar, i.e., to deflation. Any forces in the other direction in the foreseeable future will be man-made. Uncle Sam, even with a $20 billion inflation needle, will be a poor substitute for real effort and initiative on the part of business.

The government has at its disposal powerful credit and fiscal weapons which will be enough to prevent the readjustment from getting out of hand if business does abdicate its responsibility. These government measures need not be too expensive budget-wise, nor need they contribute materially to inflation.

Any inflationary pressure in the months ahead need not be great enough to affect adversely the value of the dollar; on the contrary, I expect a modest continuation of the "more valuable dollar" trend!

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Public Utility Securities

By OWEN ELY

Arizona Public Service Co.

In his recent talk before the Society of Security Analysts (summarized in this column last week) Fischer Black presented a list of utility companies which are "leaders" in their proposed capacity additions in 1954-56, the figures being expressed as percentages of 1953 total capacity. Arizona Public Service topped the list with a figure of 155%, and Savannah Electric & Power was second with 108%.

Arizona Public Service serves over 235,000 customers in 10 of Arizona's 14 counties, its area covering about 37,000 square miles. In 1952, about 71% of revenues were derived from the sale of electricity, 26% from natural gas, 3% from water and a small amount from other operations. Gas output (therms) in 1952 increased 20% and electric output 16%, over the 1951 figures.

At the end of 1952, Arizona Public Service had total capacity of 320,000 kw, including owned or leased plants of about 200,000 kw, the balance being obtained through firm contracts principally with agencies that operate hydro-electric dams on the Colorado and Salt Rivers. The company may wish to replace part or all of this purchased power by new plants of its own. It expects to complete the installation of a 100,000 kw generator in 1954 and a similar unit in 1955.

It is perhaps not generally realized that Arizona Public Service has one of the best growth records of any electric utility in the postwar period, as indicated in the following comparisons taken from page 22 of the company's 1952 report (000 omitted):

	1945	1952	Percent Increase
Revenues	$9,335	$27,452	194
Balance for Common Stock	$964	$2,790	190

The company's report to stockholders waxed eloquent over the outlook for the state. "Arizona continues to amaze statisticians and economists. With astounding regularity, our Grand Canyon State is found at or very near the top of almost every index by which economic progress is measured. Latest estimates of the Census Bureau show that Arizona, with a 13% population increase since the 1950 census, is the fastest growing state in the nation. In 1951, Arizona ranked first in rate of income growth, with a 23% gain over 1950—nearly double the national average. . . . The state's basic economy is in better balance than ever before, with agriculture, industry, mining and the tourist business all being major contributors to the economic life of Arizona. Agriculture maintains the dominant position, but due to the steady influx of diversified industries, manufacturing last year forged into second place on the economic scene. Mining was a close third, and the tourist trade again was the state's fourth largest source of income. . . .

"It is difficult to find anyone who is not optimistic about the future of Arizona. Bankers, investment men, industrialists, mine operators, farmers, cattlemen, resort owners, tourists and residents all have one thing in common: a firm conviction that for many years to come, Arizona's growth and development will continue at a rate greater than the national average."

A year ago the company planned to spend $42 million in 1953-4 to expand its facilities. In this connection it sold $14.5 million mortgage bonds in February and 378,000 shares of common stock last March. Capitalization then was approximately as follows:

Long Term Debt	55.7%
Preferred Stock	13.0
Common Stock and Surplus	31.3
	100.0%

Share earnings on a pro forma basis (adjusted for the merger of Arizona Edison and Central Arizona Light & Power in 1952) have been as follows:

12 months ended Nov. 30,	1953	$1.22
Calendar Year	1952	1.38
Calendar Year	1951	1.01
Calendar Year	1950	1.02
Calendar Year	1949	1.14
Calendar Year	1948	1.15

The stock has been selling recently around 19 and pays 90 cents to yield 4.7%. Based on the latest earnings of $1.22 the price-earnings ratio works out at 15.6 and the payout ratio at 74%. However, if earnings were based on the **average** shares outstanding, the earnings figure would rise to $1.39 and the price-earnings ratio would drop to 13.7—about average for utility stocks.

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Continued from first page

Savings, Investments And Interest Rates

term bonds. The reversal of interest rates beginning about mid-1953 was almost as dramatic as the rise in the early part of the year. Beginning in May, 1953, even before the peak of tight credit, the Federal Reserve began to provide reserves to the banking system by the purchase of government securities and followed this with an announcement, in June, of a reduction in reserve requirements. The prospect of further large issues of Treasury long-term bonds was diminished by the sale of $5.9 billion of tax anticipation certificates in July and by the failure of Congress to raise the debt ceiling. Also, later in the summer, business sentiment softened and the market swung to the belief that the credit authorities had embarked upon an "easy" credit policy. The cumulative effects of all these factors was a rapid decline in interest rates. As a result, yields on high grade bonds are now again near their levels at the beginning of 1953.

In analyzing investment prospects for 1954, let us therefore first appraise briefly the outlook for business and its implications with regard to supply-demand conditions for investment funds. This will be followed by comments on debt management and credit policies.

The Economic Outlook

Since we are still close to the turn of the year and its annual outpouring of economic prognostications, I shall not attempt a detailed analysis of the business outlook. However, it is necessary to make a few general observations on economic prospects as they affect matters in which you have a direct and immediate interest, namely, the outlook for savings, for investment outlets and for interest rates in 1954.

Most forecasts envisage 1954 as a year of high economic activity, but with some decline from the peaks reached last year. Few economists have been willing to predict another record year in 1954; practically none expect declines of catastrophic proportions.

Slow Decline—So far, these middle-of-the-road predictions have been substantiated by the trend of economic events. The aggregate dollar output of the economy reached its all-time high mark in the second quarter of 1953; by the fourth quarter it had declined by less than 2%. The more volatile index of industrial production showed a drop of about 7% during the same period, but the decline has proceeded slowly and gradually. The lower levels of industrial production have been reflected in a moderate reduction in the average hours of work, some increase in unemployment, and nominal declines in personal income, but none of these has as yet become serious or alarming.

Considering the fact that the present correction in business has been under way for at least six months, the moderate character of the declines in most economic series should be a matter of some comfort and reassurance. The record of the past six months does not suggest that we are in the opening phase of a major contraction in business activity. In fact, were it not for our habit of making comparisons with the "superboom" that reached its peak in the early months of 1953, we would perceive that most indices of aggregate production and consumption are still at remarkably high levels. And it is worth noting that this "superboom" reflected a unique combination of circumstances, including the rebound from the steel strike, the replenishment of inventories of durable goods, and the elimination of restrictions on the use of materials, on orders for machine tools, and on new construction, all of which contributed to an upsurge in production in important sectors of the economy.

Inventory Correction—Many of our past economic adjustments appear to have been initiated by a shift on the part of business from a policy of inventory accumulation to a policy of inventory liquidation. This was true in the 1949 recession; it appears to be the case again today.

Total business inventories have been rising for several years; the rate of accumulation reached substantial proportions in the closing months of 1952 and the first half of 1953. Fortunately, there has been no significant inventory speculation, with its attendant danger of a sharp drop in prices and business activity. Nevertheless, business inventories in 1953 reached record levels, and new orders became vulnerable to the modest weakness in sales that developed in the second half of the year. As a consequence, business has been trying to reduce its inventory position for the past several months.

So far, this process of reducing inventories has been orderly; there have been no signs of forced liquidation depressing the price structure. Business use of short-term bank credit has eased, but this reflects the initiative of borrowers rather than of bankers, and bank credit has been readily available. Furthermore, the reduction of inventories has not yet had any measurably adverse effects upon such key factors in the economy as expenditures on building, construction and business plant and equipment.

There are those who believe that most of the inventory liquidation has already been achieved and that economic activity may resume its upward trend during the next few months. Admittedly, inventory positions are difficult to appraise and changes in inventory policy are hard to predict. For the present, however, I incline to the view that the adjustment of inventories has not yet been completed, that for some months to come there will be little tendency to renew inventory accumulation, and that this will prevent any significant upturn in the economic indices.

Comparison with 1949 — One reason the 1949 recession was both mild and short-lived was that the economy was supported by large backlog demands for automobiles and homes; from 1948 to 1949, passenger car production jumped 31% and housing starts increased 10%. Further support was provided by a rising level of government expenditures.

In each of these important sectors, the outlook is for lower levels in 1954. Even the optimists foresee a decline in passenger car sales close to 15% and a reduction in housing starts of about 10% from 1953, while the pressure to reduce government expenditures and balance the budget continues.

Thus, the impression that the correction of inventory positions has not yet been completed, and the prospects for lower levels of output of important durable goods, all seem to support the conclusion that the present correction in business may last somewhat longer than the 1949 recession. In appraising the outlook for investment outlets, flow of investment funds and interest rates, I propose to proceed on the premise that a genuine reversal of the business trend is not likely until the latter part of 1954, at the earliest.

Supply of Investment Funds

The major savings institutions have been accumulating funds at phenomenal rates in recent years. It is estimated that for 1953 as a whole, the increase in mutual savings bank deposits, repurchasable capital of savings and loan associations, and admitted assets of life insurance companies exceeded the previous year's record of almost $10 billion. However, some tapering off in the growth rate may have developed with the easing of business in the second half of the year. Although mutual savings bank deposits increased by about $1.8 billion in 1953, the accumulation seems to have slackened after midyear.

Interestingly enough, the 1949 business adjustment had no discernible adverse effects upon the flow of funds into savings institutions; their combined growth was 15% larger in 1949 than in 1948, and the growth in mutual savings bank deposits alone was almost 40% larger in 1949 than in the preceding year. The record may not be as favorable in 1954, but it seems safe to assume that more than a modest downturn in business will be required to decrease materially the annual inflow of funds into savings institutions.

Income Taxes and Savings Patterns—In appraising the outlook for institutional savings in 1954, a favorable factor is the reduction in individual income taxes by about $3 billion annually, effective at the beginning of this year. Part of this tax relief, perhaps as much as $700 to $800 million, will be absorbed by higher social security taxes. But this will still leave about $2¼ billion of net tax reduction, some of which is likely to go into savings. Incidentally, it appears that the bulk of the net reduction in income taxes will accrue to those in the upper one-half of the income brackets.

On the other hand, the proposal of the House Ways and Means Committee to reduce the tax burdens on dividend income of individuals may be of some significance. In its present form, the proposal would exclude a limited amount of dividends from taxable income ($50 the first year; $100 thereafter). In addition, the proposal would in essence reduce the tax liability of individuals by 5% of dividend income in the first year and by 15% after three years.

These proposals have some obvious political liabilities, but if enacted, they would establish a real tax incentive for a modest investment in equities. Even in their present form, however, it seems doubtful whether these proposed tax concessions would adversely affect the ability of savings institutions to compete for funds for some time to come, and certainly not in 1954.

Nor does the recently initiated campaign to encourage the purchase of equities on the instalment plan seem to pose a near-term threat. Savings habits change only gradually. Even where strong efforts have been exerted to promote a shift into equities, as in the case of mutual funds, the amounts raised do not bulk large compared with the annual accumulation of funds by the savings institutions. In 1953, for instance, net sales of shares in mutual funds were below $500 million. Over the longer term, the public may show increased interest in equities, but any change is likely to be gradual rather than dramatic.

Pension Funds—An increasing amount of new savings is being channeled through pension funds, for which, unfortunately, comprehensive official data are not available. Pension and other funds of state and local governments are growing at a rate estimated at some $900 million per year. For estimates on industrial pension plans I am indebted to my friend and associate, Roger F. Murray, Vice President of Bankers Trust Company, who is a recognized authority on the subject. In his judgment, the net addition to industrial pension plans during 1953 probably exceeded $2 billion, with the flow into trusteed plans amounting to about $1¼ billion. There should be some further increase in this growth rate during 1954 with the additions to the trusteed plans approaching $1.4 billion. While there is considerable flexibility in the rate of funding past service liabilities, it is doubtful whether the increase would become as low as $1 billion a year even if business turns substantially worse than now expected. About one-quarter of the new funds are going into equities, with the balance being placed largely in corporate bonds.

Outlook—On balance, therefore, while the annual accumulation of funds by savings institutions may have reached its peak in 1953, there is good reason to expect a large growth again this year, with the total increase coming close to the record amount of 1953. Taking into account also the pension funds, it appears that the flow of funds available for investment will be well maintained in 1954.

Demand for Investment Funds

Although new investments of mutual savings banks today are moving largely into real estate mortgages, appraising the demand for investment funds in 1954 requires giving some attention to business corporations, state and local governments and the Treasury.

These borrowers compete for available investment funds even as the various classes of investors compete for investment outlets.

Total demands for investment funds by these borrowers probably were at record levels in 1953, although the increase over 1952 was relatively modest. The prospects are that total demands for funds will be significantly smaller in 1954, even if business activity continues at high levels.

State and Local Borrowing — Only state and local borrowing is likely to equal or exceed last year's volume. 1953 was a record year for such borrowings, and it is possible that volume in 1954 will be somewhat larger. The need for public facilities is so generally recognized as to require no discussion and the voters have demonstrated their approval of continued high construction budgets.

Business Corporations—On the other hand, new issues of bonds and stocks by business corporations are likely to show a substantial decline (perhaps 15 to 20%) in 1954, reflecting a corresponding decrease in their requirements for funds. Requirements for plant expansion and modernization may be almost as large this year as they were in 1953, but working capital needs should be sharply reduced, with modest inventory liquidation taking the place of inventory accumulation. Profits are likely to be lower and taxes, paid on large 1953 profits, will be higher than in 1953, but on the other hand, funds provided by non-cash expenses (principally depreciation) will be larger. On balance, therefore, new issues of corporate securities are likely to decline, especially since prospects do not favor a repetition of the large volume of securities financing by sales finance companies in 1953. New issues by utilities corporations will be well maintained but the downward trend in long-term financing by manufacturing corporations is likely to continue.

Real Estate Mortgages — Outstanding real estate mortgage debt has increased by some $9 to $10 billion in each of the past four years. Another large increase is in prospect this year but it may be perhaps 10% or more below the $9.3 billion growth estimated for 1953. The slowing down is likely to be concentrated in home mortgages; outstanding debt on multi-family and commercial properties will probably increase about as much as it did last year. Commercial building, for example, is displaying continuing vigor, and 1954 may be another record year. In the case of home building, however, the general expectation is for a moderate reduction in the number of housing starts. Also, amortization on existing home mortgages is growing year by year.

The outlook for residential mortgage financing is not related exclusively to new home building. Competent authorities have estimated that for every $4 spent on new residential building as much as $3 may be spent on alterations, additions and modernization. The continuing high birth rate and the increasing number of families with three and four children is creating growing pressure to expand existing accomodations. In addition, much of our housing is obsolete in many important respects.

The government, the building industry and those engaged in mortgage financing have a common desire to improve the methods and techniques for financing expenditures on existing housing. The President, in his housing message, made two suggestions along these lines. The first was to make the maximum permissible terms authorized for insurance of loans on existing homes comparable with the terms available to new housing. This proposal is designed not only to encourage modernization of housing but also to facilitate the sale of the old home when buying a new dwelling. His second proposal was to increase from $2,500 to $3,000 the maximum loan that can be insured under Title I of the National Housing Act, and to extend the maturity from three to five years. In addition, the lending fraternity is increasingly devoting its energies to devising a procedure under which expenditures for improvements and expansion could be financed by additions to existing mortgages. With so many groups interested in the problem, it seems a reasonably good guess that progress will be made this year.

The supply of real estate mortgages potentially available to investors in 1954 includes holdings of the Federal National Mortgage Association. At present such holdings total some $2½ billion. The President, in his message, made it clear that the Administration policy will be to substitute private for Treasury funds in the FNMA and to press forward in the liquidation of FNMA mortgage holdings in an orderly manner designed to protect the interests of the individual borrower. The problem, of course, is that these holdings consist of guaranteed mortgages that have not been attractive to many investors, for reasons of rate or otherwise. This was especially true in the period of rising interest rates in the spring of 1953. With the change in the interest rate situation in recent months, the discounts for guaranteed mortgages have diminished. This was reflected some days ago when the FNMA raised the price on the mortgages it is offering for sale. It seems a fair guess that more investors will be

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ready to increase their guaranteed mortgage portfolios in 1954, and that the FNMA will make some progress in disposing of its holdings.

Treasury Borrowing in 1954—Although mutual savings banks in the aggregate have been sellers of United States obligations for the past several years, they cannot avoid having an interest in the prospective financing requirements of the largest borrower in the investment market.

There is ample room for difference of opinion as to the amount of financing the Treasury will undertake in 1954. Congressional action on taxes is still several months away, estimates of receipts and expenditures are necessarily subject to many unpredictables, and the fate of the debt ceiling has yet to be determined. As of today, however, the prospect is that the volume of Treasury new money financing will be no larger this year than in 1953. This comprises financing to cover current operations, redemption of maturing savings issues, attrition on maturing marketable issues, and a modest increase in the Treasury cash balance. Thus the Treasury will not preempt a larger volume of savings this year than in 1953.

Outlook—The outlook for new financing requirements in 1954 may be summarized as follows: state and local governments will do as much financing as in 1953, or conceivably slightly more; the new money requirements of the Treasury should be no greater than last year; the increase in real estate mortgage debt is expected to be below 1953 and new corporate stock and bond issues are also likely to be lower.

This outlook, together with the prospect that the amount of funds accumulating with savings institutions will be almost as large as in 1953, suggests that economic forces may be operating in the direction of somewhat lower interest rates, on the average, than prevailed last year. However, bond yields and interest rates have fallen sharply in recent months, thus anticipating the change in the investment environment. Unless business conditions deteriorate more than is expected, therefore, further declines are likely to be modest in comparison with those evidenced in the past few months. Also, the prospect of long-term Treasury financing will have a restraining effect upon bond prices.

Treasury Debt Management

A main objective of the Treasury will be to reduce the number of financing operations during the year. Also, the Treasury may be expected to continue its efforts to lengthen the maturity distribution of the public debt. The refinancing steps just concluded give some indications regarding the approach the Treasury is likely to follow in the period ahead.

Advance Treasury Refunding—In January, 1954, the Treasury brought an innovation to its debt management policies by embarking upon a program of advance refunding. As expected, the refunding operation gave holders of certificates due in February and notes due in March the option of two securities in exchange, namely a 1-year certificate and a 7¾-year bond. In addition, however, holders of a bond issue maturing in June and of two bond issues subject to call in June were also offered the new bonds in exchange. In all, $20.8 billion of Treasury securities were affected by this exchange offering.

The Treasury has repeatedly indicated its dismay at the frequency with which it needs to go to the financial markets. In 1953, in addition to the weekly refinancing of Treasury bills, it refunded six issues in five separate operations. In 1954, the one exchange operation just concluded has already covered five separate issues, and the advance refunding technique may very well be applied to the five remaining maturing issues, totalling $29.2 billion, that require refinancing through the end of the year. Consolidation of the debt into fewer and larger issues simplifies the financing task of the Treasury and relieves the Federal Reserve of the need for constant preoccupation with the problems of the Treasury. However, the concentration of financing makes it all the more necessary that the individual financing operations be successful.

Long-Term Bond Issue — The recent exchange operation also suggests that the Treasury's endeavors to extend the maturity distribution of the debt will be cautious rather than aggressive. The new bond offered to holders of called and maturing issues has the relatively short life of 7¾ years; the refinancing was designed not to reduce the flow of investment funds held by savings institutions into real estate mortgages and corporate bonds.

The financing announcement pointed out that the debt limit precluded the sale of a long-term bond for cash at this time but went on to say that "consideration is being given to such an offering at a later date." Had a long-term bond, priced at the market, been offered as part of the exchange effort just concluded, it would probably have elicited little favorable response, since the bulk of the issues to be refunded was held by investors who would not be interested in a long-term security. Only 3% of the expiring issues were in the portfolios of savings banks and life insurance companies; almost all of the remainder represented holdings of commercial banks and the Federal Reserve, and short-term investments of business corporations. The timing of a long-term bond offering of cash will depend to some extent upon the fate of the debt ceiling, but mainly upon the state of the economy.

Present prospects are that action on the debt ceiling will be delayed until the closing days of the Congressional session, especially since the Treasury can operate under the present ceiling through the first half of the year. However, the redemption of $5.9 billion of tax anticipation certificates in March will make room for a long-term bond issue. Thus economic considerations will doubtless play the decisive role in determining the timing and amount of a long-term bond offering for cash. The Treasury is not likely to force the market by pressing for too large an offering too soon, since unduly energetic action along these lines would reduce the amount of funds available for home building, construction and business plant programs. However, since the Treasury will probably desire to sell as many bonds as it can without endangering an adequate flow of funds into private investment, the prospect of a cash offering of long-term Treasury bonds later in 1954 appears reasonably good. This outlook may temper enthusiasm in the bond market in 1954.

It may be worthwhile to watch the guaranteed mortgage market as one indicator of prospective Treasury debt management policy. Until guaranteed mortgages find a ready market and discounts disappear, the Treasury will doubtless be reluctant to undertake any financing operation that would involve siphoning funds out of the real estate mortgage field. The maintenance of a high level of investment spending is a stated objective of Administration policy, and the Treasury will adjust its debt management program accordingly.

Credit Policy

For almost two years now, long-term government bond prices have been free to reflect the operation of basic market forces such as the supply of and demand for investment funds. Of course, bond prices during this period have not been completely isolated from the forces operating in the money market, including the expectations of the financial community regarding business activity and credit and debt management policies.

Federal Reserve policy, together with Treasury financing operations, greatly accentuated the fluctuations in bond prices and interest rates in 1953. Looking ahead, it does not seem likely that this experience will be repeated in 1954.

Easier Credit—Since about mid-year, reduced demands for credit have been operating in the direction of easier money rates. Also, the Federal Reserve has been pursuing a relatively easy credit policy involving the fairly modest use of all three major instruments of credit control. (1) Bank reserves were provided through open-market purchases of government securities last May and June in order to ease a growing stringency of credit, again in the third quarter of last year to provide for the expected seasonal increase in bank loans, and finally, in December, to forestall a year-end squeeze in the money market. (2) Reserve requirements were reduced in July, 1953, in anticipation of the large volume of Treasury financing and the expected seasonal increase in bank loans. (3) Finally, just a few days ago, the discount rate was lowered from 2 to 1¾%, thus bringing it back to the rate that was in effect before the increase in January, 1953.

Reduction of the Discount Rate—The effects of the discount rate reduction upon the money market are difficult to appraise but are not likely to be of major importance. So far this year, member bank borrowings have averaged about $120 million while excess reserves have averaged above $875 million. A reduction in the discount rate has been a topic of conversation in the financial community ever since the middle of last year. Hence, the action came as no real surprise. Naturally, however, the step has been followed by a firming in the market for government securities and corresponding declines of yields.

The Treasury bill rate has for some months averaged well below the discount rate and the recent action can be explained as a move to bring the discount rate more closely in line. Many members of the financial community, however, have come to regard changes in the discount rate as a barometer of future Federal Reserve policy. This point of view receives some support from Chairman Martin, who said in his answer to Question 35 of the Patman Committee questionnaire about two years ago:

"Considerable importance is attached to changes in discount rates by the financial and business community as indicating System policy and the underlying strength of expansive or contractive credit tendencies. Since a change in Federal Reserve Bank discount rates would be unlikely unless System officials considered an existing movement in general business and economic conditions to be more than a temporary deviation from basic trends, the market tends to look upon a discount rate change as an expression of the views of the reserve banking authorities as to the over-all credit situation."

Also, the financial community will remember that the increase in the discount rate in January, 1953, was followed by several months of increasingly tight credit conditions. Thus, the recent action in lowering the discount rate may be interpreted by the financial community as having greater underlying significance than the day-to-day open-market operations recently pursued by the System and as reflecting greater concern about economic prospects than has been indicated in recent public statements.

A balanced and considered appraisal of the real significance of the recent reduction in the discount rate will not be possible until opportunity has been afforded to observe the course of Federal Reserve policy in the aggregate over the next few weeks. The way in which all the instruments of credit policy are used over a period of time, rather than any one particular action, is the important criterion.

Appraisal of Outlook—There is little doubt that the Federal Reserve authorities will remain sensitive to the trends of business, employment and prices. Until signs of a turn in business activity become evident, both economic forces and credit policy are likely to operate in the direction of continued easy conditions in the short-term credit markets.

It does not necessarily follow, however, that the change in the discount rate represents the initiation of an aggressive "cheap money" policy. The action was not taken in January when the money market was excessively easy but in a week when the market had tightened appreciably. Thus the timing does not indicate a desire to drive short-term rates even lower.

For several months, short-term rates have been at levels more characteristic of a depression than of an economy which is still operating not too far below the peak of an unprecedented boom. Conditions of excessive ease in the money market serve little useful purpose as a stimulant to business. They raise longer range problems for the credit authorities, looking forward to the time when a restrictive credit policy will again be appropriate. These considerations seem to support the view that the discount rate action is not part of an all out effort to depress interest rates.

Conclusions

The fluctuations in bond prices in 1953 were an extraordinary demonstrations of the volatility of interest rates in our economy. The foregoing review of current conditions and prospects in the general field of savings and investment suggests the following general conclusions:

(1) The firming of bond yields and money rates in the early part of 1953 has been largely offset by the subsequent recovery in the bond market and the easing of credit.

(2) As of today, it does not appear that we shall experience a repetition of the great shifts in market psychology and market appraisals that were so strongly in evidence last year.

(3) The outlook for 1954 indicates a continuing high level of funds accumulating with savings institutions, but perhaps at levels slightly below 1953.

(4) Demands for investment funds are expected to decline somewhat more than new savings in 1954. Only state and local governments are expected to equal or exceed their 1953 borrowings. The growth in mortgage debt outstanding, although continuing large, is likely to be somewhat less than in any of the past four years, since a reduction in housing starts and rising amortization of existing mortgage debt will slow down the increase. New issues of corporate bonds and stocks are also likely to be significantly lower, while the Treasury's new money requirements are likely to be no larger than in 1953.

(5) In consequence, underlying economic pressures will probably operate in the direction of some further easing of bond yields during 1954. However, this trend is likely to be restrained, since it has been anticipated by the strength in the bond market in recent months, and also because of the prospect of long-term Treasury financing in 1954.

(6) The recent reduction in the discount rate probably does not signal the adoption of an aggressive "cheap money" policy by the Federal Reserve, but until there is evidence of an upturn in business activity, both economic conditions and credit policy will tend to support continued ease in the money market.

(7) A significant further deterioration in economic conditions would, of course, be reflected in additional downward pressure on interest rates not only because of reduced demands for investment funds but also because of the implications of such developments for credit and debt management policies.

"Saving Commonsense"

"I have no patience with the people who seem to think that blood-spilling and jobs are synonymous. Nor do I go along with those who believe the only way we can keep everybody employed is by loosely spending a tremendous percentage of our resources in the production of war goods.

C. E. Wilson

* * *

"None should be so foolish as to think that a sound road to higher living standards is built on military spending. None should be so selfish as to think he has a vested interest in war.

"We must continue to be strong in both a military and an economic sense. There are those who contend we cannot do both at the same time. We refuse to accept this defeatist philosophy.

"There are those who scoff at and criticize every move we make to improve our defenses and at the same time stop waste. Such attacks I have learned to accept as an occupational hazard."— Charles E. Wilson, Secretary of Defense.

This seems to us to make sense.

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Continued from page 5

The State of Trade and Industry

Hudson, meanwhile, worked only three days, while Packard was down all week. Studebaker will be down this week, it stated.

The rash of short work weeks and inventory adjustments will drop February production down to an estimated 430,000 passenger cars, almost 10% under the 479,000 scheduled at the beginning of the month, this trade authority pointed out.

Steel Output Estimated at 74.3% of Capacity This Week

The steel buyers' dollar is bringing bigger returns these days, says "Steel," the weekly magazine of metalworking.

Standard base prices of steel are remaining intact, but more and more price extras are being reduced or waived, freight absorption by mills is increasing, premium base prices are continuing to fade, and steel jobbers are making price concessions and offering free services to attract customers, it states.

Alert to the importance of making quick deliveries today, mills are building up certain stocks of finished steel so they can make immediate shipments and not miss out on any orders. Until recently, mills had no opportunity to build stocks; they were getting orders faster than they could roll material, continues "Steel."

The declining price of scrap is helping mills make such price concessions as waiving or reduction of extra and absorption of freight on shipments of steel to users. A Pittsburgh steel producer pointed out that on open-hearth steel it is saving $3 a ton over late last summer. Since then, its cost of purchased scrap has dropped $12 a ton. The producer is beginning to use more than 50% scrap in its open-hearth charges. Half of the scrap is from its own mill; the rest is purchased. Thus, around one-fourth of the metallic charge of each ton of steel is purchased scrap, and that fourth of a ton of scrap costs $3 less than it did late last summer, this trade magazine points out.

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 74.3% of capacity for the week beginning Feb. 15, 1954, equivalent to 1,772,000 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 74.1% and production 1,766,000 tons. A year ago the actual weekly production was placed at 2,235,000 tons and the operating rate was 99.1% 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 Registers Mild Increase the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Feb. 13, 1954, was estimated at 8,684,000,000 kwh., according to the Edison Electric Institute.

The current figure represents an increase of 10,000,000 above the preceding week, and an increase of 537,000,000 kwh., or 6.6% over the comparable 1953 week and 1,244,000,000 kwh. over the like week in 1952.

Car Loadings Decline Below Previous Week and Year Ago

Loadings of revenue freight for the week ended Feb. 6, 1954, decreased 3,805 cars, or 0.6% below the preceding week, according to the Association of American Railroads.

Loadings totaled 624,385 cars, a decrease of 66,228 cars, or 9.6% below the corresponding 1953 week, and a decrease of 109,534 cars or 14.9% below the corresponding 1952 week.

U. S. Auto Output Holds to Lower Trend

Automobile output for the latest week continued downward with the volume for the latest week 6% behind that of a year ago, according to "Ward's Automotive Reports."

The industry, "Ward's" states, turned out an estimated 107,578 cars last week, compared with 108,382 (revised) in the previous week. A year ago the weekly production was 114,935.

Last week, the agency reported, there were 21,346 trucks made in this country, as against 19,846 in the previous week and 22,490 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 9,356 cars and 2,245 trucks last week, against 9,019 cars and 2,027 trucks in the preceding week and 7,846 cars and 1,832 trucks in the comparable 1953 weeks.

Business Failures Continue to Advance

Commercial and industrial failures climbed to 277 in the week ended Feb. 11 from 238 in the preceding week, Dun & Bradstreet, Inc., states. At the highest level since May, 1941, casualties were considerably heavier than a year ago when 200 occurred or in 1952 when there were 125. Despite this marked upturn, mortality remained 13% below the 1939 toll of 318 for the similar week of that year.

More concerns failed than last year in all lines, with the sharpest relative increase from 1953 in manufacturing.

Six geographic regions reported higher mortality during the week, including the Middle Atlantic States where the failures rose to 94 from 70, the West North Central States where they jumped to 17 from 6, and the Pacific States with a slight rise to 76 from 72. The only declines appeared in the New England, South Atlantic and East South Central regions. Casualties exceeded last year's level in all areas except New England. The East and West North Central, South Atlantic, South Central and Mountain States had notable increases from 1953, while Middle Atlantic and Pacific mortality turned up moderately.

Wholesale Food Price Index Reacts to Sharply Higher Trend

Continuing its irregular movement, the Dun & Bradstreet wholesale food price index rose 8 cents last week to stand at $7.09 on Feb. 9, the highest level since May 29, 1951, when it stood at $7.16. Compared with $6.19 on the corresponding date a year ago, the current figure shows a rise of 14.5%.

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 Reverses Lower Trend of Week Before

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., trended slightly higher during the past week. The index closed at 276.45 on Feb. 9. This compared with 275.03 a week earlier and with 276.55 on the corresponding date a year ago.

Trading in leading grain markets was moderately active. Prices fluctuated unevenly but most grains scored modest net gains for the week.

Support in wheat was attributed to increased concern over the lack of moisture for the Winter wheat crop in the Southwest, prospects for increased export business and some improvement in domestic flour trade.

Oats advanced along with corn; demand was fairly good but sales volume was small. Rye prices were somewhat easier, reflecting limited demand. Activity in grain and soybean futures on the Chicago Board of Trade declined slightly last week. Daily average sales totaled 41,000,000 bushels, against 43,200,000 the previous week and 43,300,000 in the same week a year ago.

The market for green coffee maintained a firm undertone. Demand was active although some buyers showed caution as the result of the Senate investigations now going on.

Some buyer resistance at the consumer level was reported for the third straight week.

Demand for raw sugar was fairly active and prices were up slightly as Cuba again reduced its quota of "free" world supplies. Lard finished on a firm note with prospects of further export shipments having a bolstering effect on the market. Hog prices were irregular and closed slightly lower for the week. Demand was quieter and receipts at western markets continued well below a year ago. Wholesale fresh pork prices were also easier.

Spot cotton prices registered further moderate gains the past week to reach the highest levels in more than a year.

Helping to sustain values were fairly active domestic and foreign mill price-fixing and reports of improvement in export demand.

Cotton placed in the government loan in the week ended Jan. 29 totaled 170,200 bales. This was in line with trade expectations although it represented the smallest weekly volume since mid-September. Reported sales in the ten spot markets declined to 137,900 bales last week, as against 141,900 the previous week, and 153,100 in the corresponding week a year ago. The volume of trading in some spot markets was limited due to a lack of offerings of those qualities in best demand.

Trade Volume Rises in Latest Week

The total dollar volume of retail sales rose in the period ended on Wednesday of last week above that of the preceding week. The number of merchants reporting sales decreases from a year ago was unchanged from the level of recent weeks as sales remained close to the 1953 mark. Valentine promotions were favorably received in most parts of the nation and sales of these items were generally above a year ago.

The total dollar volume of retail trade, in the week, was estimated by Dun & Bradstreet, Inc., to be from 1% to below 3% above the corresponding level of a year ago. Regional estimates varied from the comparable 1953 period by the following percentages: New England +2 to +6; East and Northwest +1 to +5; South —2 to +2; Midwest and Pacific Coast —3 to +1 and Southwest —4 to 0.

Apparel volume continued to be above the year-ago period. Purchases were particularly high in New England as Spring merchandise was bought in greater quantities than in other sections of the country. Demand for coats and suits increased. In greatest demand was casual clothing of blended and synthetic fabrics.

Food volume was almost unchanged from a year ago and slightly below the preceding week.

Beef was bought in greater quantities than at this time a year ago, while lamb and pork receipts again slipped. Purchases of fresh fruits and vegetables were slightly below the early 1953 mark although sales of frozen goods were higher than at the same time last year.

Price resistance to coffee dipped and sales rose moderately from a week ago, although they continued to be somewhat below the previous year.

The volume of wholesale sales, in the period ended on Wednesday of last week was below the year ago level and dipped slightly from the preceding week.

Buyers continued to exercise caution and sought price concessions in increasing number.

Orders were placed in smaller quantities than in the previous year. Buyers sought goods of a conservative nature and were less inclined to place orders for goods of extreme styling.

Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index, for the week ended Feb. 6, 1954, decreased 1% below the level of the preceding week. In the previous week, Jan. 30, 1954, a decrease of 2% (revised) was reported from that of the similar week in 1953. For the four weeks ended Feb. 6, 1954, a decline of 3% was reported. For the year 1953, department store sales registered an increase of 2% above the corresponding period of 1952.

Retail trade volume in New York last week rose as a result of heavy promotional efforts, it was reported, with sales approximating the volume of the like week of 1953.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Feb. 6, 1954, registered no change from the like period of last year. In the preceding week, Jan. 30, 1954, an increase of 3% was reported from that of the similar week of 1953, while for the four weeks ended Feb. 6, 1954, a decrease of 1% was reported. For the year 1953, a decrease of 1% was registered from that of the 1952 period.

Halsey, Stuart Offers Public Utility Bonds

Halsey, Stuart & Co. Inc. is offering today (Feb. 18) $5,000,000 Essex County Electric Co. first mortgage bonds, series A 3¼%, due Feb. 1, 1984, at 100.959% and accrued interest to yield 3.20%. The group won award of the issue at competitive sale yesterday on a bid of 100.52%.

Net proceeds from the financing will be applied to the payment of short-term indebtedness, incurred in connection with the company's construction program, and the balance, if any, will be used to pay for construction or to reimburse the company's treasury for construction expenditures.

The bonds will be redeemable at general redemption prices ranging from 103.96% to par, and at special redemption prices ranging from 100.96% to par, plus accrued interest in each case.

Essex County Electric Co. is engaged principally in generating, purchasing, and selling electricity. Electric service is provided in eight cities and towns in northeastern Massachusetts having an area of about 106 square miles and an aggregate population of around 108,000. Territory served, an industrial and a highly residential area north of Boston known as the North Shore, includes Salem, Beverly, Gloucester and Rockport. For the 12 months ended Oct. 31, 1953, the company had gross operating revenues of $6,717,807 and net income of $589,807.

Sante Fe Western Gas & Oil Stock Offered

Gearhart & Otis, Inc. are offering as a speculation 299,925 shares of Santa Fe Western Gas & Oil Corp. common stock at $1 per share.

It is the present intention of the company to use a portion of the proceeds for the repayment of certain promissory notes, and for the development of its properties in the famous San Juan basin in New Mexico. The balance of the proceeds, if any, will be applied for general working capital purposes.

Santa Fe Western Gas & Oil Corp. was incorporated in Delaware on Jan. 20, 1954, for the purpose of acquiring interests in proven natural gas properties in Rio Arriba County, New Mexico; interests in properties in Sandoval County, New Mexico, and in Rooks County, Kansas, and to engage generally in the acquisition, exploration and development of oil and gas properties.

Baumann Munic. Mgr. For Milwaukee Co.

MILWAUKEE, Wis.—Joseph T. Johnson of The Milwaukee Company, investment banking concern whose principal office is in Milwaukee, with branches in Chicago, St. Paul, Madison and Wausau, announced that John F. Baumann has been appointed Manager of the company's municipal department, with headquarters in the Milwaukee office, 207 East Michigan Street. He will take over the work of the late S. E. Johanigman who managed the municipal department at the company's Chicago office.

After graduating from Carleton College, Northfield, Minn., in 1934, Mr. Baumann spent a year with the Federal Reserve Bank in Chicago. For the last 19 years, he was associated with Halsey, Stuart & Company Inc., except for three years he served in the Air Force in World War II. Upon his return he was assigned to the Wisconsin territory by Halsey, Stuart, making his headquarters in Madison.

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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:

	Date	Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Feb. 21	§74.3	*74.4	74.1	99.1
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 21	§1,772,000	*1,774,000	1,766,000	2,235,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Feb. 6	6,271,250	6,257,200	6,284,350	6,521,850
Crude runs to stills—daily average (bbls.)	Feb. 6	¶6,879,000	6,948,000	6,960,000	6,834,000
Gasoline output (bbls.)	Feb. 6	24,344,000	23,731,000	24,620,000	23,232,000
Kerosene output (bbls.)	Feb. 6	2,738,000	2,682,000	2,872,000	2,684,000
Distillate fuel oil output (bbls.)	Feb. 6	10,978,000	10,289,000	10,382,000	10,178,000
Residual fuel oil output (bbls.)	Feb. 6	8,549,000	8,312,000	8,599,000	8,808,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 6	171,972,000	170,421,000	162,343,000	152,493,000
Kerosene (bbls.) at	Feb. 6	21,056,000	22,093,000	28,588,000	22,308,000
Distillate fuel oil (bbls.) at	Feb. 6	78,468,000	83,936,000	106,628,000	78,152,000
Residual fuel oil (bbls.) at	Feb. 6	45,885,000	46,433,000	49,668,000	45,807,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 6	624,385	628,190	624,229	690,613
Revenue freight received from connections (no. of cars)	Feb. 6	611,995	609,667	544,544	670,449
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 11	$196,885,000	$194,300,000	$195,848,000	$267,788,000
Private construction	Feb. 11	132,020,000	115,989,000	89,675,000	182,565,000
Public construction	Feb. 11	64,865,000	78,311,000	106,173,000	85,223,000
State and municipal	Feb. 11	48,227,000	63,029,000	84,366,000	53,601,000
Federal	Feb. 11	16,638,000	15,282,000	21,807,000	31,622,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 6	7,835,000	*8,405,000	8,190,000	8,570,000
Pennsylvania anthracite (tons)	Feb. 6	651,000	695,000	534,000	652,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Feb. 6	87	*85	94	88
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 13	8,684,000	8,674,000	9,014,000	8,147,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Feb. 11	277	238	200	200
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 9	4.634c	4.634c	4.634c	4.376c
Pig iron (per gross ton)	Feb. 9	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	Feb. 9	$26.67	$27.33	$28.83	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 10	29.700c	29.650c	29.700c	24.200c
Export refinery at	Feb. 10	29.350c	29.375c	28.675c	34.975c
Straits tin (New York) at	Feb. 10	85.000c	85.000c	84.750c	121.500c
Lead (New York) at	Feb. 10	13.000c	13.000c	13.500c	13.500c
Lead (St. Louis) at	Feb. 10	12.800c	12.800c	13.300c	13.300c
Zinc (East St. Louis) at	Feb. 10	9.500c	9.500c	10.000c	11.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 16	98.42	98.81	97.45	95.65
Average corporate	Feb. 16	108.88	108.70	106.92	108.16
Aaa	Feb. 16	114.27	114.27	111.81	111.81
Aa	Feb. 16	111.07	110.88	109.06	110.52
A	Feb. 16	108.70	108.34	106.56	107.44
Baa	Feb. 16	102.30	102.13	100.65	103.47
Railroad Group	Feb. 16	106.92	106.74	104.48	106.04
Public Utilities Group	Feb. 16	109.06	108.70	107.44	107.62
Industrials Group	Feb. 16	110.88	110.70	108.70	111.07
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 16	2.61	2.58	2.68	2.81
Average corporate	Feb. 16	3.23	3.24	3.34	3.27
Aaa	Feb. 16	2.94	2.94	3.07	3.07
Aa	Feb. 16	3.11	3.12	3.22	3.14
A	Feb. 16	3.24	3.26	3.36	3.31
Baa	Feb. 16	3.61	3.62	3.71	3.54
Railroad Group	Feb. 16	3.34	3.35	3.48	3.39
Public Utilities Group	Feb. 16	3.22	3.24	3.31	3.30
Industrials Group	Feb. 16	3.12	3.13	3.24	3.11
MOODY'S COMMODITY INDEX	Feb. 16	422.7	421.2	418.7	405.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 6	275,060	232,351	‡230,479	331,971
Production (tons)	Feb. 6	228,571	240,413	‡212,013	238,012
Percentage of activity	Feb. 6	89	92	‡78	94
Unfilled orders (tons) at end of period	Feb. 6	377,082	330,839	‡414,047	545,961
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	Feb. 12	107.05	106.95	107.53	107.90
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 shares	Jan. 30	1,004,092	925,853	752,352	936,826
Dollar value	Jan. 30	$44,438,780	$42,297,268	$29,001,891	$40,936,217
Odd-lot purchases by dealers (customers' sales)†—					
Number of shares—Total sales	Jan. 30	940,833	828,804	869,608	816,983
Customers' short sales	Jan. 30	10,348	8,552	6,368	4,295
Customers' other sales	Jan. 30	930,485	820,252	863,240	812,688
Dollar value	Jan. 30	$39,698,255	$35,578,856	$27,244,610	$32,267,391
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 30	296,150	240,540	330,230	219,520
Short sales	Jan. 30				
Other sales	Jan. 30	296,150	240,540	330,230	219,520
Round-lot purchases by dealers—					
Number of shares	Jan. 30	354,870	334,810	201,400	350,340
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Jan. 23	350,460	326,320	171,520	257,290
Other sales	Jan. 23	9,172,770	7,624,580	6,419,510	7,242,340
Total sales	Jan. 23	9,523,230	7,950,900	6,591,030	7,499,630
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 23	961,350	836,380	614,700	716,820
Short sales	Jan. 23	179,710	147,840	87,620	135,230
Other sales	Jan. 23	816,220	678,130	458,860	648,940
Total sales	Jan. 23	995,930	825,970	546,480	784,170
Other transactions initiated on the floor—					
Total purchases	Jan. 23	305,350	232,930	156,400	198,700
Short sales	Jan. 23	16,500	10,200	2,500	13,000
Other sales	Jan. 23	321,960	207,500	131,870	203,730
Total sales	Jan. 23	338,460	217,700	134,370	216,730
Other transactions initiated off the floor—					
Total purchases	Jan. 23	349,882	375,896	337,730	248,717
Short sales	Jan. 23	38,030	49,020	26,040	60,640
Other sales	Jan. 23	457,065	326,276	215,811	279,087
Total sales	Jan. 23	495,095	375,296	241,851	339,727
Total round-lot transactions for account of members—					
Total purchases	Jan. 23	1,616,582	1,445,206	1,108,830	1,164,237
Short sales	Jan. 23	234,240	207,060	116,160	208,870
Other sales	Jan. 23	1,595,245	1,211,906	806,541	1,131,757
Total sales	Jan. 23	1,829,485	1,418,966	922,701	1,340,627
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Feb. 9	110.5	110.6	110.9	109.4
Farm products	Feb. 9	98.2	*97.3	98.5	98.9
Processed foods	Feb. 9	104.7	*105.2	106.1	104.5
Meats	Feb. 9	91.1	93.1	95.4	95.3
All commodities other than farm and foods	Feb. 9	114.4	114.5	114.5	112.7

*Revised figure. ¶Includes 587,000 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 117,647,470 tons. ‡Nine days ending Jan. 9.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of November	105,636	108,219	74,639
Stocks of aluminum (short tons) end of Nov.	30,052	21,790	14,241
AMERICAN GAS ASSOCIATION—For Month of December:			
Total gas (M therms)	5,614,665	4,643,601	5,595,600
Natural gas sales (M therms)	5,299,683	4,386,971	5,273,000
Manufactured gas sales (M therms)	67,781	58,496	99,500
Mixed gas sales (M therms)	247,201	198,134	223,100
AMERICAN ZINC INSTITUTE, INC.—Month of January:			
Slab zinc smelter output, all grades (tons of 2,000 pounds)	78,561	*79,116	81,994
Shipments (tons of 2,000 pounds)	60,612	*63,896	80,679
Stocks at end of period (tons)	198,792	*180,843	88,475
Unfilled orders at end of period (tons)	26,378	35,466	39,732
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of January (000's omitted):			
Total U. S. construction	$766,320	$1,510,921	$1,886,520
Private construction	350,325	929,340	1,177,528
Public construction	415,995	581,581	708,992
State and municipal	334,891	505,198	480,062
Federal	81,104	76,383	228,930
COAL OUTPUT (BUREAU OF MINES)—Month of December:			
Bituminous coal and lignite (net tons)	36,480,000	35,380,000	42,906,000
Pennsylvania anthracite (net tons)	2,397,000	2,315,000	3,178,000
Beehive coke (net tons)	260,000	315,100	432,400
COKE (BUREAU OF MINES)—Month of Dec.:			
Production (net tons)	6,093,009	*6,208,155	6,723,100
Oven coke (net tons)	5,794,867	5,894,447	6,290,700
Beehive coke (net tons)	298,142	*313,708	432,400
Oven coke stock at end of month (net tons)	2,727,020	2,657,729	1,877,265
CONSUMER CREDIT OUSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM REVISED SERIES—Estimated short and intermediate term credit in millions as of Dec. 31:			
Total consumer credit	$28,896	$28,252	$25,827
Instalment credit	21,807	21,586	18,684
Automobile	10,289	10,358	8,099
Other consumer goods	5,605	5,406	5,328
Repair and modernization loans	1,606	1,604	1,406
Personal loans	4,307	4,218	3,851
Noninstalment credit	7,089	6,666	7,143
Single payment loans	2,127	2,100	2,094
Charge accounts	3,249	2,840	3,342
Service credit	1,713	1,726	1,707
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—1947-49 Average 100)—Month of January:			
Adjusted for seasonal variations	110	*112	111
Without seasonal adjustment	85	*192	85
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of November (000's omitted)	32,051,035	32,450,142	29,353,235
Revenue from ultimate customers—month of November	$571,527,500	$572,315,600	$527,426,200
Number of ultimate customers at Nov. 30	49,795,031	49,684,881	48,351,140
FREIGHT CAR OUTPUT—DOMESTIC (AMERICAN RAILWAY CAR INSTITUTE)—Month of December:			
Deliveries (number of cars)	4,944	4,456	7,981
Backlog of orders at end of month (number of cars)	27,959	29,950	------
INTERSTATE COMMERCE COMMISSION —			
Index of Railway Employment at middle of December (1935-39 average=100)	115.0	115.4	121.7
METAL PRICES (E. & M. J. QUOTATIONS)—			
Average for month of January:			
Copper (per pound)—			
Electrolytic domestic refinery	29.671c	29.673c	24.200c
Electrolytic export refinery	28.767c	29.061c	34.780c
Lead—			
Common, New York (per pound)	13.260c	13.500c	14.192c
Common, St. Louis (per pound)	13.060c	13.300c	13.992c
‡‡Prompt, London, (per long ton)	£86.453	£90.386	------
‡‡Three months, London, (per long ton)	£85.794	£88.608	------
Silver and Sterling Exchange—			
Silver, New York (per ounce)	85.250c	85.250c	24.500c
Silver, London (pence per ounce)	73.750	73.821	73.518
Sterling Exchange (Check)	$2.81163	$2.81074	$2.81289
Zinc (per pound)—East St. Louis	9.760c	10.000c	12.588c
††Zinc, London, prompt (per long ton)	£73.022	£74.301	------
††Zinc, London, three months (per long ton)	£71.666	£73.835	------
Tin (per pound)—			
New York Straits	84.830c	84.644c	121.500c
§§New York, 99% min.	83.830c	83.644c	120.500c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$187.360	$185.923	$212.962
¶Antimony New York Boxed	31.970c	31.970c	37.970c
Antimony (per pound) bulk, Laredo	28.500c	28.500c	34.500c
Antimony (per pound) Laredo	29.000c	29.500c	35.000c
Platinum, refined (per ounce)	$90.160	$91.000	$90.000
†Cadmium, refined (per pound)	$2.00000	$2.00000	$1.93269
‡Cadmium (per pound)	$2.07500	$2.07500	$2.04135
§Cadmium (per pound)	$2.15000	$2.15000	$2.15000
Cobalt, 97%	$2.60000	$2.60000	$2.40000
Aluminum, 99% plus, ingot (per pound)	21.500c	21.500c	20.173c
Magnesium ingot (per pound)	27.000c	27.000c	24.500c
**Nickel	60.000c	60.000c	58.659c
Bismuth (per pound)	$2.25	$2.25	------
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS' ASSN.—Month of December:			
Total number of vehicles	482,920	452,487	535,427
Number of passenger cars	387,844	378,406	418,983
Number of motor trucks	94,652	73,710	116,214
Number of motor coaches	424	371	231
PORTLAND CEMENT (BUREAU OF MINES)—			
Month of December:			
Production (barrels)	20,243,000	22,529,000	20,881,000
Shipments from mills (barrels)	14,130,000	19,495,000	13,740,000
Stocks (at end of month—barrels)	19,196,000	13,083,000	15,957,000
Capacity used	84%	97%	87%

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shapes to plater. ¶Domestic, five tons or more but less than carload lot, boxed. §§Price for tin contained. **F.o.b. Port Colburne, U. S. duty included. ‡‡Average of daily mean of bid and ask quotation at morning session of London Metal Exchange. ††Delivered where freight from E. St. Louis exceeds 0.5c.

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Continued from page 5

Outlook for Stock Prices in 1954

Government to interfere with "natural" economic forces. Second, it flouts classic economics. Third, except for the 1949 recession, when our Government acted to reverse a downtrend under conditions having relatively favorable background, no Government thus far has been able to demonstrate it can prevent a depression.

Why No Reason for a Serious Stock Market Break

I happen to believe that there is something new in the way of managing or directing economies; that while business oscillations cannot be prevented (nor would it be desirable to do so) that the extreme amplitude of swings of the past need not be tolerated. There is such a thing as *money control*; *cycle* control; *projects control* and *over-all business control.*

The first great bulwark on which the reversing of a downward (or unhealthy excess) trend rests, is the money managers—the Federal Reserve Board. This body is pivotal. It has great powers. It is in position to act *first*, to act *swiftly*, and with *the most potent of weapons*, directly on the banking system, and indirectly on all business:

(a) Change money rates.
(b) Change reserve requirements.
(c) Open market operations.
(d) Selective credit controls.

In 1949, appropriate action with these tools—in each case to increase the money supply—was all that was needed to reverse the direction of business.

The Federal Reserve System now has had 40 years of experience in money, debt and cycle management. It has gained in knowledge, prestige and swiftness and sureness of decision. It also has the benefit of more powers granted by law, and more power in the magnitude of the basic gold reserves it controls. It is no longer a stripling. It is a "big boy" now.

For example, the depression of 1920-21 could not have been avoided. Gold reserves were less than $3 billion. This was not enough for expansion required by government, business and stock market simultaneously under the stimulus of war. The ratio of gold to Federal Reserve notes exceeded the legal limit, requiring a penalty for additional emissions, a contraction necessitated by the law. The rise in the Federal Reserve rediscount rate was to 7%.

The rapid demobilization of the armed forces was another major factor in the 1920-21 liquidation most of us have forgotten about. That is in contrast to the present situation in which the transition from war to peace is gradualized.

Anyone who associates the present threat of recession with the great liquidating movements must reflect the sharp contrasts: in 1920-21, the N. Y. Federal Reserve Bank slapped on a 7% rediscount rate; in 1929, a 6% rate, and in 1936-37, the banking system was subjected to three successive increases in bank reserve requirements.

Since these earlier periods, tremendously significant changes have occurred in money, debt, and cycle management: (1) the gold standard has been abandoned; (2) there is no guarantee that the price of gold will not be lifted at some future time; (3) the Bank Act of 1935 creates an elasticity in reserve requirements ranging a 100% gamut, and experience since 1936 shows that Reserve authorities are willing to implement the powers implicit therein; and (4) it is inconceivable that the Federal Reserve Board, in view of the matured thinking distilled out of its past errors, would repeat the inflexible policies of the 1920's and 1930's which not only threatened the economic value of high-grade securities held by the banks and other institutions, but also the foundations of the whole economy.

Localized or Private Recessions and Depressions

The boom has not continued in all lines. In the sub-marginal companies that did well when furnished with government war orders, their boom collapsed in 1946. They have been flat ever since. The department stores, variety stores, and specialty stores peaked out in 1946. Their stocks are priced not far above the lows of that year. The same is true of the distillers group. The movies, in the grip of fast-moving and spectacular technological changes, have witnessed a devastating decline of the most serious bear market proportions, but are now apparently seeing dawn after a long night of darkness. The gold-mining stocks are at the bottom of an 8-year slide.

Since 1951, declines of varying severity have occurred in the textiles, non-ferrous metals, steels, lesser chemicals, and the pharmaceuticals. In the case of the antibiotic pharmaceuticals which halved in price in two years' time, the bottom seems to have been made with the beginnings of a new bull move established. The same may well prove true of the *integrated* steels.

In fact the market is composed of at least five distinct and diverse types of markets acting with simultaneous independence. The one the public notices, comprising mostly the illustrious blue chips, is near its 2½-year bull top. The others, just described in part, are interweaving up and down, some near a 7½-year low, some starting to rise from a 2½ to 3-year low, and others in indeterminate stages between.

How difficult it has been to profit in the stock market in the past three years, and why selectivity has been progressively the watchword, is shown by the fact that, using round numbers, about one-third of all stocks closed off for the year 1951; about one-half closed down for the year 1952; two-thirds in the year 1953.

Commodity Prices Have Stopped a Decline

Commodity prices suffered a 2½-year decline starting in March 1951. This decline was severe in most raw materials and international commodities, like wool, rubber, tin, zinc and lead. The final thrust of this decline was last summer, when a saucering-out chart pattern developed. Some farm products have since enjoyed modest gains, beginning with September, including wheat, oats, hogs, and soybeans. In the international market, coffee and cocoa have recently scored new all-time highs.

It is a strange harbinger of depression when commodity prices stay firm or display rising tendencies.

Some other factors that can sustain the market are:

Earnings are capitalized at a low multiple.

There has been a low dividend payout of earnings, 44% versus 76%, versus 85%.

The government is getting out of business, to wit: RFC is being liquidated and rubber plants are up for sale.

Some tax reductions have already been made and other changes, including easing of double taxation through credits for dividends, and modification of the Capital Gains Tax (a disguised capital levy) are being considered.

East-West Trade

Russia's consumer's goods program is favorable to the world economy, even if on a small scale. It is a four-way advantage. It is a straw in the wind toward breaking down the barriers between East-West trade. It furnishes a market for the production facilities of the West (Totalitarian hunger ties in perfectly with the Free World's embarrassing food surplus) and raises the standard of living inside the Iron Curtain. This is a leavening process, tending to stimulate waves of new business all over the world, and builds up gold and other reserves in the central banking systems of Europe, thereby increasing their buying power from other areas.

There are new developments which signify a second industrial revolution. We have super-scientific technology and are on the threshold of unbelievable changes and improvements. "We Haven't Seen Anything Yet." There is the exploitation of atomic energy, jet and turbo-jet propulsion, and electronics with its application to all kinds of controls from weapons, transportation, business machines, to the automatic factory.

Along with second industrial revolution and its impact on living standards in the Western World is the simultaneous social and political revolutions in Russia, Middle East and Asia. The disequilibrium of West with East must be eased. Provincialism must give way. The only eventual solution is broadened, unfettered trade and a better world standard of living. That is what the awakening masses of Asia are looking for—beginning to demand.

More Understanding by Stock Investors

Stock investors are showing more understanding and greater maturity in making judgment; with less emotion, they are not so easily panicked. History shows that companies making essential products with national markets at a fair price, having capable or brilliant management, insisting on being one of the low-cost producers, and maintaining a favorable financial position, don't have to worry too much about business corrections. They are stronger than ever, once the economy begins a new upward trend. More and more institutions and individuals are waiting to buy stocks they like, for long-term purposes, transcyclically, if necessary, on a quasi-dollar-averaging basis. All this on the hypothesis that success in stock investment consists of about 80% selection and patience, and about 20% in astute timing.

There are many investors about who still talk and act as if one's financial affairs could rest on a safe basis of some familiar status quo; as if we lived in the sanctity of a convertible gold standard era; as if gold was still priced at $20.67 instead of $35.00 an ounce; as if there were guarantees against a higher price at some future time; as if reverence for the Dow Theory still had justification when actually it is anachronistic in principle, and in practice has failed since 1937, having been more honored in its breach than in its observance; as if the State were helpless against the primacy and regnancy of the business cycle and the inevitable fateful sequence of boom and bust; and as if both political parties had not accepted the creeds of easy money and full employment, with the Republican party pledge in 1952 more heroic in its declaration against unemployment than previous pledges of any political party whatsoever.

Summary

Those who choose their equity media sagaciously are buying, in my humble judgment, tickets of admission in due course to the greatest spectacle of achievement, the combined knowledge, technical skill, wisdom and industry of the world's scientists, technologists, industrialists and statesmen, the planet Earth has ever presented to a population growing at the rate of 25 million a year!

Continued from first page

Farm Price Supports In Danger of Collapse!

While these declines in agriculture have been less than occurred in 1948 and 1949, when farm prices dropped 24% in 23 months and net income dropped $3 billion in two years, they have been serious enough to arouse fears once again that a general depression is in the making.

We do not believe such a pessimistic view is justified at present, especially in view of the real progress that has been made in the past year in stemming the price decline. In fact, the latest price report of the Department issued last Friday showed a widespread improvement, averaging 4% from mid-November to mid-January, and central market prices indicate this trend has continued in recent weeks.

I would like also to draw your attention to the fact that when this Administration took hold in January, 1953, the parity ratio—which measures the relation of the prices the farmer receives for his products to the prices the farmer pays—was 94, a 10 point drop from a year earlier. This January, the parity ratio was 92, only a two point decline in the past 12 months. Thus, the cost-price squeeze in agriculture which developed so rapidly during 1952 has not been intensified significantly in the last year. In view of the magnitude of the problems facing agriculture, this is a real accomplishment.

Our problems of excessive reserves have their roots in earlier years. In response to wartime demands, the agricultural plant has become geared to high levels of production. Farm output in 1952 was a record high, 44% above the prewar period, 1935-39, and 6% larger than in 1950. Production in 1953 was about as big as last year's record. There was a sharp increase in cattle marketings reflecting a four-year build-up in cattle numbers on farms and distress selling due to serious drought conditions in many areas.

At the time we were realizing a record output in 1952, foreign demand for United States farm products weakened as a result of increased agricultural output abroad and foreign exchange difficulties. Our farm legislation tended to price our products out of world markets. In the fiscal year which ended June 30, 1953, the value of United States farm products shipped abroad totaled $2.8 billion, a drop of 31% from the previous year.

Despite a continued strong domestic demand, high level production and diminished export outlets brought pressure on farm prices and a rapid expansion in price support operations and in stocks of many farm products resulted. The carryover of wheat in this country next July 1 is now estimated at about 800 million bushels, more than a normal year's domestic consumption. The carryover of cotton at the beginning of the next crop season next August 1 is estimated at 9.6 million bales, about a year's domestic use. Substantial increases are also expected in stocks of corn and edible fats and oils.

Most of these stocks will be in the hands of the Commodity Credit Corporation. At this time, we have committed practically all of the $6¾ billion authorized for price support operations. It is a measure of our wholehearted administration of existing price support programs that despite the burdensome accumulation of wheat, cotton, and other supplies, the average price received by farmers for wheat on Jan. 15, 1954, was $2.03 per bushel, only 7 cents less than a year earlier while the average price for cotton per pound was slightly higher than in mid-January, 1953.

There is much reason to believe that the agricultural price adjustment to peace-time conditions is largely behind us, providing that a high level of economic activity is maintained in this Nation. For 1954, we believe that agricultural prices and agricultural incomes will be maintained fairly close to those of 1953. Foreign demand has rallied slightly from the relatively low level established during the summer of 1952. We are pushing every possibility for expanding our foreign outlets. We have also begun the adjustment of excessive supplies. Under the requirements of present legislation, acreage allotments have been established for wheat, cotton and corn which are expected to result in a reduction of some 25 million acres formerly devoted to these crops. We will continue to administer aggressively the current price support programs to the limit of our resources.

The goal of this Administration is to encourage the conditions that lead to economic growth — and that means an expanded level of living for the American people. The road to economic growth is through expanded production—production that finds its way into consumption and not into warehouses. We cannot continue to accumulate large stocks of farm products which threaten the maintenance of prices and incomes of farm people. Farmers should receive prices and incomes which reflect their contribution to the nation's well-being. Nonfarm people should be willing that farmers have the opportunity to share in a constantly expanding standard of living. The pressure of a rapidly growing population is such that no one can take for granted that some years hence, the needed food and fiber will be forthcoming without stress. We must encourage the conditions that will result in an efficient and expanding agriculture. The President's proposals on the agricultural programs will help economic growth in this Nation.

The Relationship of Agriculture to Other Segments of the Economy

In our modern economy, agriculture, industry and labor are completely interdependent. There is no need to demonstrate that an agricultural depression is highly contagious and can quickly spread to the rest of the economy. Neither is there need to demonstrate that a decline in the buying power of labor or a slackening in the rate of capital investment are capable of bringing about an economic downturn.

Farm programs which help stabilize prices are a necessary first line of defense against recession. Price support programs can help turn aside bearish price movements when such movements are in an early stage. Unimpeded, a minor downturn might grow to serious proportions.

But if a serious economic downturn should strike, acreage controls and farm price supports by themselves are not well suited to turn the blow or to bring about recovery. The preventives and

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the remedies here are broader than agriculture alone.

It is possible to fashion farm programs which provide for the accomplishment of changes needed within agriculture and which ward off and cushion the shock of economic disturbances of ordinary magnitude, originating in or outside of agriculture. This I believe we have done in the program which the President has recommended to the Congress. It would be unjustified optimism, I believe, to expect more than this from a price support program.

The Recommended Farm Program

The need for improving our farm price support program is urgent and obvious. Our present legislation provides price support for the basic commodities at 90% of an outdated parity. It is based on wartime needs, and has been extended 8 years beyond the official end of the war. These are the unfortunate consequences of this legislation:

Production of certain crops has been stimulated beyond normal needs.

Use of our resources has become unbalanced; the high support price for wheat has shifted into wheat production lands that should be in grass or in feed grains.

Consumption of some commodities has been curtailed by unrealistic prices. For example, growth in the per capita consumption of textiles during the past 25 years has been captured wholly by the synthetic fibers; cotton has not shared in this increase.

Exports have fallen sharply, partly as a consequence of having priced ourselves out of the market. During the past two years our exports of wheat outside the International Wheat Agreement have fallen from 220 to 64 million bushels, while Canada's free market sales have risen from 105 to 161 million.

Our artificially high domestic prices have served to attract the products of other countries to us like a magnet. To keep from having our price support programs rendered ineffective by imports, we have had to impose trade barriers that offend those free nations whom we urgently need as friends.

Prodigious stocks of some commodities have been accumulated. These stocks hang over the market and depress prices despite our best efforts to make price support effective. Wheat, which we have endeavored to support at 90% of parity, has in fact been bringing only 82%—corn, with the same support level, is only 79%.

Heavy costs have been incurred. We have submitted a request for the restoration of capital losses of the Commodity Credit Corporation totaling approximately three-quarters of a billion dollars. In addition we have found it necessary to request that the borrowing authority of CCC be increased from $6.75 to $8.5 billion.

Price increases to some farmers, such as sellers of corn, mean cost increases to other farmers, such as livestock producers.

To obtain price support at 90% of parity, drastic acreage reductions must be made. The production of other crops on these diverted acres serves to shift the supply problem to farmers whose crops are not price-supported.

Favored in this system are the producers of the six basic crops, the income from which totals only 23% of total farm income from marketings. Favored also are the 40% of our farmers who have units sufficiently large so that they are really commercial operators. The 3½ million small operators produce so little that price supports do not mean many extra dollars.

Our present program is looked on with misgivings by many farmers and non-farmers. A continuation of this program could offend our populace to such a point as to discredit all forms of direct aid to agriculture. Agriculture thus might lose the public good will which has served well in the past and for which there is continuing need.

It was the difficulties which I have named that led us to the study on which the President's recommendations are based. It was the broadest review of agricultural price policy ever undertaken in this country. Farmers participated directly through public policy discussions conducted by the farm organizations. Scores of producer, processor, and trade groups were consulted. Research institutions and the agricultural colleges gave us the results of their studies. The National Agricultural Advisory Commission spent the better part of a year on the problem. Men in the Department of Agriculture gave the knowledge gained by the accumulated experience of 20 years of grappling with these matters. The various Departments of the executive branch were consulted. Many members of the Congress shared their rich experience.

Diverse though these many views were, as our inquiry progressed there appeared an ever-expanding area of general, though certainly not unanimous, agreement. This agreement had to do with the role of market price in guiding the production and consumption of farm products.

We found that most farmers understand the dangers inherent in high fixed prices—leading both to reduced consumption and to tight controls over acreage and marketing. They realize that prices must respond to changes in demand and to changes in the methods and costs of production.

But it is generally conceded that free, unsupported prices have some shortcomings as far as farm products are concerned.

There is a high degree of instability in market prices. Frequent and wide disturbances in prices serve no useful economic purpose, and make sound adjustment more difficult.

Farmers do not wish to be left to the unimpeded forces of the market. They are willing to make some sacrifices in freedom and efficiency in order to protect themselves from what they consider to be the excesses of the price system.

At the same time, farmers do not want to abandon the freedom and efficiency which market prices provide, and accept the inevitable alternative, which is full scale bureaucratic control. They wish to retain much freedom and independence despite the allurement of what has been called the welfare state.

There appears to be a general desire to work toward *improving the functioning of market prices, rather than to move away from them.* This appears true of the great majority of farmers as well as technical people.

It seems that extremists from neither the right nor the left thus far have captured the farmer's mind. Nor have extremists gained a substantial following among professional analysts.

The price support legislation which the President has recommended to the Congress is a middle-of-the-road program. It is intended to utilize the efficiencies and the freedoms inherent in market prices, while at the same time protecting farmers and consumers from the blind forces which can impair the functioning of a completely free economy.

We are presently operating under agricultural legislation which was developed during depression times and modified during the war to encourage production. An important feature of this legislation is that price support is required at 90% of parity for the basic crops; wheat, corn, cotton, tobacco, rice, and peanuts. Adjustment to peace-time needs has been delayed.

The major provisions of the legislation which has been recommended to the Congress are these:

(1) The framework of the proposed legislation would be the Agricultural Acts of 1948 and 1949. These acts were soundly conceived, and received strong bi-partisan support. For the basic commodities they provide a schedule of price floors ranging from 75 to 90% of parity, varying inversely with the supply. These acts are now inoperative for the basic commodities because their provisions are held in abeyance.

(2) The amendment to the Act of 1949, which calls for mandatory price support for the basic commodities at 90% of parity, should be allowed to expire following the 1954 crops, as now provided by law.

(3) Modernized parity should be permitted to become effective as now contemplated, on Jan. 1, 1956. A transitional provision would drop the parity price 5% a year until the shift from old to modernized parity was complete.

(4) The new program should be given an opportunity to start operating without the handicap of our accumulated surpluses. This can be done by setting aside up to $2,500,000,000 worth of commodities from Commodity Credit Corporation inventories for use in school lunch programs, disaster relief, aid to the people of other countries, and stockpiled reserves at home for use in war or national emergency.

The Agricultural Acts of 1948 and 1949 grew out of the hearings on long range agricultural policy and programs and contain two principal objectives which have been sought for years—the revision and modernization of the parity formula and the establishment of a flexible price support program.

The basis of our price support computations is the parity concept. Stated simply, the price of a farm commodity is at parity if it bears the same relationship to prices the farmer pays as was the case during the base period, 1910 to 1914. Cost-lowering technological advances and shifting demands have disturbed these old relationships, and have had a differential effect on the various commodities. The Congress wisely brought the parity concept up to date by providing for a modernization of the parity formula. Modernized parity for a commodity takes into account the relationship of the price of that commodity to other farm products during the past 10 years. Modernized parity is now in use for all but four commodities—wheat, corn, cotton and peanuts. The law provides that modernized parity shall become effective Jan. 1, 1956.

The overall effect of these changes should be to encourage the increase in the production of animal products and to broaden the market generally. Even though the parity price for grain may be a little lower, the market for grain will be greatly broadened.

The program points in the direction of expanding the total market as against restricting production to the available market. This program would permit the production and marketing of larger quantities of farm products than would be possible with price support at 90% of parity. Income is the result of production times price, not price alone. We anticipate that over the years, this program would result in larger farm incomes than any other program.

Better farm management would be possible with this program, since restrictions on production would be less necessary.

This program would utilize, in the public interest and in the interest of individual farmers, the efficiencies that come from freedom of action.

There are other important features of the President's proposals which I shall not bring out in my formal statement. I will simply indicate that the various farm products are considered separately within the general framework which I have outlined. Farm products vary as to their importance, their perishability, their dependence on export trade, the elasticity of their demand and in many other important ways. Each has been dealt with in accordance with its special circumstances.

An important feature of the recommended program is what one might call its "gradualism." It sets a new direction, but it proceeds in that direction slowly rather than with haste. As the President's message indicated, we will use our discretion under the Agricultural Act of 1949 to insure that year-to-year variations in price support levels are limited.

For this year's basic crops, the program would have no effect whatever, as the Administration is pledged to carry out the existing law during 1954.

For 1955, the level of price support for the basic crops would become dependent on the supply. But with the provision for setting aside $2,500,000,000 worth of excess reserves, the supply calculations should give a support price near present levels.

For 1956, the level of price support would continue to depend on the supply. In addition we would start moving toward modernized parity, which of itself would mean a drop of about 5% in the level of support.

For 1957, we would largely have completed the shift to the new program.

As can be seen, this program requires a minimum of new legislation. Rather, to a large degree it calls for the implementation of laws already on the books, previously agreed upon by the Congress. In fact, if the Congress passes no farm legislation whatever, the greater part of this program would become operative.

The Congress should not return to the philosophy of scarcity that was tried and found wanting in the 1930's.

To be prosperous the farmer must produce. The new farm program is geared to just such a philosophy. It is aimed at reducing to a minimum government restrictions on farm production. We dare not pursue the route of scarcity in our quest of a high level of living for all. Farm income is the product of price times volume—dollars times bushels, pounds or tons.

America did not become great on an economy of scarcity nor will it remain great under such an approach. Restricted production is not the road to prosperity over the long pull. As we have learned through the years, a dynamic economy requires increased production and increased consumption. This is the way to more enjoyment of the better things of life by more people—the way to maintain a high level of living.

This program, we believe, is consistent with the Economic Report of the President, recently transmitted to the Congress.

ED. NOTE: The following table was included in the several schedules and charts presented by Secretary Benson illustrating the quantities and costs of commodities owned by the Commodity Credit Corporation, and the commodities under loan.

SCHEDULE I

United States Department of Agriculture Commodity Credit Corporation

Report of Price Support Commodities as of Jan. 6, 1954 Based on Records and Known Commitments in CSS Commodity Divisions and Offices

Commodity—	Unit of Measure	Estimated Total Stocks* Quantity	Approximate Unit Cost	Total Cost (thousands)
Cotton:				
Upland	bales	235,394	$140.78	$33,139
Linters	bales	934,044	59.77	55,828
Dairy:				
Butter	lbs.	260,993,000	.6691	174,630
Cheese	lbs.	257,486,000	.4024	103,612
Milk, dried	lbs.	439,756,000	.1664	73,175
Grains and Seeds:				
Barley	bus.	464,000	1.49	691
Beans, dry edible	cwt.	389,000	10.76	4,186
Corn	bus.	374,738,000	1.66	622,065
Flaxseed	bus.	312,000	4.14	1,292
Grain Sorghum	cwt.	58,000	2.54	147
Rye	bus.	148,000	1.68	249
Seeds, hay & pasture	lbs.	78,265,000	.4726	36,988
Seeds, winter cover crop	lbs.	35,121,000	.0765	2,687
Soybeans	bus.	415,000	2.76	1,145
Wheat	bus.	442,898,000	2.59	1,147,106
Naval Stores:				
Rosin	517 lb. drums	602,435	38.63	23,272
Turpentine	50 gal. bbls.	43,566	26.22	1,142
Oils and Peanuts:				
Cottonseed oil, crude	lbs.	59,378,000	.1265	7,511
Cottonseed oil, refined	lbs.	967,975,000	.1841	178,204
Linseed oil	lbs.	273,065,000	.2917	79,653
Olive oil	gal.	203,000	2.52	512
Peanuts, farmers' stock	tons	31,034	241.00	7,479
Tung oil	lbs.	5,223,000	27	1,410
Tobacco	lbs.	4,183,000	.2815	1,178
Wool:				
Pulled	lbs.	6,284,000	1.20	7,541
Shorn	lbs.	89,074,000	.6310	56,206
Total				$2,621,048

*Estimate total stocks owned by CCC, plus commitments to purchase less commitments to sell.

Lyman, Spurr, Vaughan With F. L. Putnam Co.

BOSTON, Mass.—F. L. Putnam & Company, Incorporated, 77 Franklin Street, members of the Boston Stock Exchange, announce that Aaron J. Lyman, Geoffrey Spurr, and Howard W. Vaughan have become associated with their firm. Mr. Lyman was formerly an officer of Gregg, Storer & Co., with which Mr. Vaughan was also associated. Mr. Spurr in the past was with Wise, Hobbs & Seaver.

With Hall & Hall

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif.—Oscar L. Rogers has become connected with Hall & Hall, Bank of America Building.

Howard W. Heintz With Hill Richards & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Howard W. Heintz has become associated with Hill Richards & Co., 621 So. Spring Street, members of the Los Angeles and San Francisco Stock Exchanges. Mr. Heintz was formerly with Taylor and Company of Beverly Hills and prior thereto was with J. B. Hanauer & Co. and E. F. Hutton & Co.

Douglass Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Frederick E. Burnham has been added to the staff of Douglass & Co., 464 North Bedford Drive.

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Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

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.

★ **Alaska Telephone Corp., Seattle, Wash.**
Feb. 10 (letter of notification) $270,000 face amount of 6% 10-year convertible debentures, series B. **Price**—70% of principal amount. **Proceeds**—For general operating expenses and working capital. **Underwriter**—Tellier & Co., New York.

Armstrong Rubber Co.
March 31, 1953, filed $4,000,000 of $5 convertible subordinated debentures due May 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Reynolds & Co., New York. Amendment may be filed this week. **Offering**—Now tentatively expected to be made early in March, 1954.

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.

★ **Available Credit Corp., Chicago, Ill.**
Feb. 11 (letter of notification) 150 shares of common stock (par $500) and $166,500 of 5-year debentures. **Price**—At par or face amount. **Proceeds**—For working capital. **Office**—69 West Washington St., Chicago 2, Ill. **Underwriter**—None.

Bank Shares, Inc., Minneapolis, Minn.
Jan. 4 (letter of notification) 15,000 shares of class A stock. **Price**—At par ($20 per share). **Proceeds**—To acquire shares of capital stock of The Marquette National Bank and the Chicago-Lake State Bank. **Underwriter**—M. H. Bishop & Co., Minneapolis, Minn.

Basin Natural Gas Corp., Santa Fe, N. M.
Dec. 23 (letter of notification) 748,000 shares of common stock (par five cents). **Price**—40 cents per share. **Proceeds**—To acquire properties and leases. **Office** — Blatt Bldg., Santa Fe, N. M. **Underwriter**—Hunter Securities Corp., New York.

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.

★ **Burton Manufacturing Co., Los Angeles, Calif.**
Feb. 15 (letter of notification) 85,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—To retire a 5% secured note and for working capital. **Underwriter**—Hill Richards & Co., Los Angeles, Calif.

★ **Cahokia Downs, Inc., East St. Louis, Ill.**
Feb. 15 filed $1,400,000 of 10-year 6% first mortgage bonds due Jan. 1, 1964, and 140,000 shares of common stock (par $1). **Price**—Of bonds, at 100% of principal amount; and of stock, $1.50 per share. **Proceeds**—For construction and operation of racing plant. **Underwriter**—Dixon Bretscher Noonan Inc., Springfield, Ill.

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.

★ **Care Development Corp., New York**
Feb. 16 filed 30,000 shares of preferred stock. **Price** — At par ($10 per share). **Proceeds**—From sale of these shares (and from sale of 500 shares of $100 par value common stock to parent) will be used for extension of Care "Self-Help" programs. **Underwriter**—None.

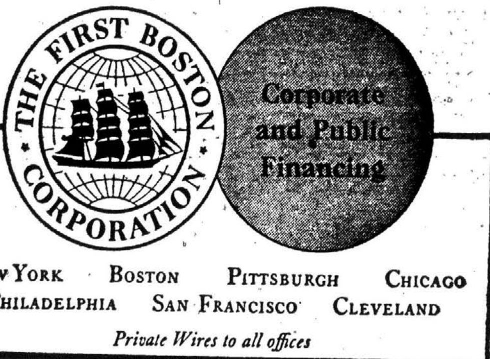
Carling Brewing Co., Inc., Cleveland, Ohio
Jan. 18 (letter of notification) 3,750.4 shares of capital stock (par $15) being offered to minority stockholders of record Feb. 1 on a share-for-share basis; rights to expire on Feb. 26. **Price** — $40 per share. **Proceeds**—To retire current indebtedness. **Office**—9400 Quincy Ave., Cleveland, Ohio. **Underwriter**—None.

• **Delhi Oil Corp., Dallas, Tex.**
Jan. 22 filed 1,031,758 shares of common stock (par $1) being offered for subscription by stockholders of record Feb. 15 on the basis of two new shares for each five shares held (with an oversubscription privilege); rights to expire on March 10. **Price**—$10 per share. **Proceeds**—To pay approximately $8,500,000 indebtedness maturing within the current fiscal year and the remainder used for general corporate purposes and working capital. **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. No general public offering planned.

★ **Edgar Brothers Co., Metuchen, N. J.**
Feb. 8 (letter of notification) voting trust certificates representing 1,900 shares of common stock. **Price** — $11.37½ per share to underwriter. **Proceeds**—To Charles W. Nielsen, the selling stockholder. **Underwriter**—Courts & Co., Atlanta, Ga.

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



NEW ISSUE CALENDAR

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
Estey Organ Corp. ____ **Common**
(Barrett Herrick & Co., Inc.) $300,000
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
Mohawk Airlines, Inc. ____ **Common**
(Offered by company—no underwriting) $290,000
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)
Missouri Pacific RR. ____ **Equip. Trust Ctfs.**
(Bids to be invited) $3,000,000
St. Louis, Brownsville & Mexico Ry. ____ **Equip. Trust Ctfs.**
(Bids to be invited) $1,845,000
Suburban Electric Co. ____ **Bonds**
(Bids 11 a.m. EST) $4,000,000

March 4 (Thursday)
Long Island Lighting Co. ____ **Preferred**
(The First Boston Corp., W. C. Langley & Co. and Blyth & Co., Inc.) $7,000,000
Rand Development Corp. ____ **Common**
(Fulton, Reid & Co.) $2,000,000

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
Ontario (Province of) ____ **Debentures**
(Harriman Ripley & Co. Inc. and Wood, Gundy & Co., Inc.) $50,000,000

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
Goebel Brewing Co. ____ **Preferred**
(Van Alstyne, Noel & Co. and Nauman, McFawn & Co.) $2,000,000
National Union Fire Insurance Co. ____ **Common**
(Offering to stockholders—underwritten by The First Boston Corp.) $6,000,000
Pennsylvania Electric Co. ____ **Bonds**
(Bids to be invited) about $12,500,000

March 23 (Tuesday)
Louisiana Power & Light Co. ____ **Preferred**
(Bids noon EST) $7,000,000
Utah Power & Light Co. ____ **Common**
(Bids 11 a.m. EST) 200,000 shares

March 24 (Wednesday)
Dallas Power & Light Co. ____ **Preferred**
(Bids to be invited) $7,000,000
Texas & Pacific Ry. ____ **Equip. Trust Ctfs.**
(Bids noon EST) $1,240,000

March 25 (Thursday)
Southern Indiana Gas & Electric Co. ____ **Common**
(Smith, Barney & Co.) 114,166 shares

March 29 (Monday)
Pacific Power & Light Co. ____ **Common**
(Bids to be invited) $8,000,000

March 30 (Tuesday)
San Diego Gas & Electric Co. ____ **Bonds**
(Bids 11 a.m. EST) $17,000,000

April 6 (Tuesday)
Georgia Power Co. ____ **Bonds**
(Bids 11 a.m. EST) $11,000,000

April 12 (Monday)
Gulf Insurance Co. ____ **Common**
(Offering to stockholders—no underwriting) 5,000 shares

(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

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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.

Estey Organ Corp., Brattleboro, Vt. (2/19)
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.

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.

★ **Fireman's Fund Insurance Co. (3/10)**
Feb. 16 filed 600,000 shares of common stock (par $2.50). **Price**—To be supplied by amendment. **Proceeds** —To finance acquisition of National Surety Corp. and for working capital. **Underwriters** — The First Boston Corp., New York, and Blyth & Co., Inc. and Dean Witter & Co., both of San Francisco, Calif., and New York, N. Y.

★ **Fischer & Porter Co., Hatboro, Pa.**
Feb. 5 (letter of notification) 14,200 shares of participating preference stock (par $1). **Price**—To be filed by amendment. **Proceeds**—For expansion and working capital. **Underwriters** — Hallowell, Sulzberger & Co., Boenning & Co. and Thayer, Baker & Co., all of Philadelphia, Pa.

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.

★ **Genco Oil Co., Inc.**
Feb. 10 (letter of notification) 49,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development of leases. **Office**—1907 Scottsbluff, Neb. **Underwriters**—Donald Kerr and M. C. Davenport, both of Scottsbluff, Neb.

★ **Gibbonsville Mining & Exploration Co.**
Feb. 10 (letter of notification) 10,000 shares of non-assessable preferred stock. **Proceeds**—For indebtedness, installation of additional machinery and working capital. **Office**—711 Hutton Bldg., Spokane, Wash. **Underwriter** —Daniel Sherman Secord, 4016 South Grand, Spokane, Wash. **Price**—At par ($10) per share.

★ **Growers Container Corp., Salinas, Calif.**
Feb. 15 filed 1,450,000 shares of common stock, to be offered primarily to individuals and firms in the Salinas Valley, Imperial Valley, Yuma, Phoenix, and other districts in and outside of San Francisco and Arizona, who are engaged in or allied to the growing and shipping industry. **Price**—At par ($1 per share). **Proceeds**—Construction of plants, acquisition of equipment, and for working capital. **Business**—Primarily manufacture of cartons and bags used for shipment of various vegetables. **Underwriter**—None.

★ **Hale-Justic Drug Co., Cincinnati, O.**
Feb. 9 (letter of notification) 25,000 shares of common stock to be offered for subscription by stockholders on a pro rata basis; then to public. **Price**—At par ($10 per share). **Proceeds**—To increase inventory. **Office**—9 W. Third St., Cincinnati, O. **Underwriter**—None.

★ **Home & Auto Loan Co. of Delaware**
Feb. 2 (letter of notification) $60,000 of 5% debenture notes and $140,000 of 6% debenture notes. **Price**—At par. **Proceeds**—To repurchase and redeem notes presently outstanding and for working capital. **Office**—407 Community National Bank Bldg., Pontiac, Mich. **Underwriter**—None.

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.

★ **Investors Selective Fund, Inc., Minneapolis, Minn.**
Feb. 11 filed 600,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

★ **Kerr (Robert J.) Chemicals, Inc., Park Ridge, Ill.**
Feb. 9 (letter of notification) 9,640 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For payment of mortgage and working capital. **Office**—9 So. Fairview Ave., Park Ridge, Ill. **Underwriter**—None.

★ **Keystone Mining Corp. (Pa.)**
Feb. 10 (letter of notification) 291,300 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds** —To purchase land and erect buildings, to purchase mineral rights and leases and to develop and exploit mining properties. **Office**—21 North Duke St., Lancaster, Pa. **Underwriter**—None.

★ **Light Metals Refining Corp., New York**
Feb. 15 filed 1,250,000 shares of common stock (par $1). **Price** — $4 per share. **Proceeds** — For construction and equipment of control plant, and main plant, working capital, advance royalties and reserves. **Business** — To refine beryllium ore and market the products. **Underwriter**—Philip Gordon & Co., Inc., New York.

★ **Long Island Lighting Co. (3/4)**
Feb. 15 filed 70,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—The First Boston Corp., W. C. Langley & Co. and Blyth & Co., Inc.

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.

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. Formal hearing will be held before Kansas Corporation Commission beginning March 15.

★ **Mohawk Airlines, Inc. (3/1)**
Feb. 11 (letter of notification) 72,500 shares of capital stock (par $1). **Price** — $4 per share. **Proceeds** — To acquire flight equipment and for working capital. **Office** —Cornell University Airport, Ithaca, N. Y. **Underwriter** —None.

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.

★ **National Oil Co., Inc., Little Rock, Ark.**
Feb. 9 (letter of notification) 28,000 shares of class A common stock. **Price**—At par ($10 per share.) **Proceeds** To develop oil and gas leases and such other properties as the company may acquire. **Office**—1024 N. Tyler St., Little Rock, Ark. **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.

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.

★ **Ontario (Province of), Canada (3/10)**
Feb. 17 filed $50,000,000 of debentures to mature $5,000,000 each March 15, 1960 through 1964, inclusive, and $25,000,000 on March 15, 1980. **Price**—To be supplied by amendment. **Proceeds** — To be advanced to Hydro Electric Power Commission of Ontario. **Underwriters**—Harriman Ripley & Co. Inc. and Wood, Gundy & Co., Inc., both of New York.

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.

★ **Philadelphia Dairy Products Co., Inc.**
Feb. 12 (letter of notification) 8,854 shares of common stock (par 25 cents) to be offered to employees. **Price**—$29.45 per share. **Proceeds**—For working capital. **Office**—Fourth and Poplar Sts., Philadelphia 23, Pa. **Underwriter**—None.

★ **Philadelphia Fund, Inc., Camden, N. J., and Phila., Pa.**
Feb. 11 filed 200,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

Philip Morris & Co., Ltd., Inc., New York
Jan. 13 filed 443,561 shares of common stock (par $5) being offered in exchange for common shares of Benson & Hedges, on a share-for-share basis. Offer is subject to acceptance by holders of not less than 355,460 shares of Benson & Hedges stock, and will expire on March 1, unless extended. **Underwriter**—None.

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.

★ **Poly-Seal Corp.**
Feb. 10 (letter of notification) 2,500 shares of capital stock (par $1). **Price**—$12.50 per share. **Proceeds**—For mould construction and working capital. **Office** — 405 Lexington Ave., New York 17, N. Y. **Underwriter**—None.

★ **Rand Development Corp., Cleveland, O. (3/4)**
Feb. 12 filed 200,000 shares of common stock (par five cents). **Price**—$10 per share. **Proceeds**—To pay development costs and for purchase of laboratory equipment. **Business**—The creation and development of new products. Company does not engage in basic research. **Underwriter**—Fulton, Reid & Co., Cleveland, O.

★ **Reliance National Life Insurance Co.**
Feb. 8 (letter of notification) 15,000 shares of class A preferred stock. **Price**—$20 per share. **Proceeds**—To secure necessary capital and surplus to be able to write certain insurance. **Office** — 1414 First Security Bank Bldg., Salt Lake City, Utah. **Underwriters**—Frank B. Salisbury and Robert H. Peterson.

★ **Rodar Co., Inc., Atlanta, Ga.**
Feb. 8 (letter of notification) $100,000 of 8% debentures to be issued in four different series. **Price**—At par (in denominations of $1,000 each). **Proceeds**—For expansion and for general corporate purposes. **Office**—Avondale Estates, Atlanta, Ga. **Underwriter**—None.

★ **Royal Packing Co., Lawrence, Mass.**
Feb. 9 (letter of notification) 500 shares of preferred stock. **Price**—At par ($50 per share). **Proceeds**—For expansion and 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.

★ **Scurry-Rainbow Oil Ltd., Calgary, Alta., Canada**
Feb. 15 filed 4,700,416 shares of capital stock (par 50 cents) to be offered in exchange for the 2,670,000 shares of Scurry Oils Ltd. stock on a share-for-share basis, and in exchange for the 534,320 shares of Rainbow Oil Ltd. stock on a basis of 3.8 shares of Scurry-Rainbow stock for each Rainbow Oil 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.).

★ **Selected American Shares, Inc., Chicago, Ill.**
Feb. 11 filed 15,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

★ **Silver Buckle Mining Co., Wallace, Ida.**
Feb. 10 (letter of notification) 1,083,556 shares of common stock (par 10 cents). **Price**—12½ cents per share. **Proceeds**—To develop Vidicatot claims. **Address**—P. O. Box 1088, Wallace, Ida. **Underwriter**—To be filed by amendment.

● **South Carolina Electric & Gas Co.**
Jan. 28 filed 286,436 shares of common stock (par $4.50) being offered for subscription by common stockholders of record Feb. 17 on the basis of one new share for each

Continued on page 48

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Continued from page 47

10 shares held (with an oversubscription privilege); rights to expire on March 3. **Price**—$14.75 per share. **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 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.

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.

★ **U. S. Airlines, Inc., New York**
Feb. 12 (letter of notification) 19,000 shares of common stock (par five cents). **Price**—At market (estimated to be about 10 cents par share). **Proceeds**—To W. B. Haggerty, Tampa, Fla. **Underwriter**—Thomas & McKinnon, New York.

★ **Utah Power & Light Co. (3/23)**
Feb. 16 filed 200,000 shares of common stock (no par). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—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.

★ **Utah Power & Light Co. (5/19)**
Feb. 16 filed $15,000,000 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.; 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 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.

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. **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).

★ **Bolsa Chica Oil Corp.**
Feb. 10 it was announced company plans to offer to its stockholders the right to subscribe for 77,855 additional shares of capital stock (par $1) on the basis of one new share for each seven shares held. **Price**—$3.75 per share. **Proceeds**—For working capital.

★ **Boston Edison Co.**
Feb. 15 it was announced company plans to issue and sell about $15,000,000 of first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); White, Weld & Co.; Harriman Ripley & Co. Inc. **Offering**—Tentatively expected in June.

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.

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.

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Community Public Service Co.
Jan. 5, R. L. Bowen, President, announced that company plans to issue and sell in the latter part of March $3,000,000 of first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Previous bond financing was done through private channels. Bidders if competitive, may include: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Blyth & Co., Inc.

Consolidated Natural Gas Co.
Jan. 27 it was reported company plans to issue and sell $25,00,000 of debentures due 1979. **Proceeds** — To purchase stock of company's operating subsidiaries, who in turn will apply these proceeds for construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Morgan Stanley & Co. and The First Boston Corp. (jointly). **Offering**—Tentatively expected in May.

★ **Dallas Power & Light Co. (3/24)**
Feb. 9 it was announced company plans issuance and sale of 70,000 shares of cumulative preferred stock (par $100). **Proceeds** — For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Union Securities Corp.; The First Boston Corp.; White, Weld & Co.; Lehman Brothers; Harriman Ripley & Co. Inc. and Kidder, Peabody & Co. (jointly). **Registration** — Planned for Feb. 25. **Bids** — Expected March 24.

★ **Detroit Edison Co.**
Feb. 11 it was announced the company may refund the $40,000,000 outstanding issue of 3⅞% general and refunding mortgage bonds due May 1, 1988, which were offered publicly on April 29, 1953. **Underwriter**—May be determined by competitive bidding. Probable bidder: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Coffin & Burr, Inc. and Spencer, Trask & Co. (jointly).

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 Electric Products Co.**
Feb. 15 it was announced company is planning to issue and sell about 150,000 additional shares of common stock. **Underwriters**—H. M. Byllesby & Co. (Inc.) and Hayden, Stone & Co. **Registration**—Expected late this month.

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 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.

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).

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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.

★ **General Telephone Corp.**
Feb. 8 it was announced stockholders will vote April 21 on increasing authorized common stock from 6,000,000 shares (3,342,300 shares outstanding) to 10,000,000 shares. It is proposed to pay a 50% stock dividend on May 15 to holders of record April 22 and to offer some additional stock. **Underwriters**—Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp.; and Mitchum, Tully & Company.

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.

★ **Goebel Brewing Co. (3/16)**
Feb. 9 it was announced company plans to offer to its common stockholders 200,000 shares of 60-cent cumulative convertible preferred stock (par $10) on a 1-for-7 basis. **Underwriters** — Van Alstyne, Noel & Co., New York, and Nauman, McFawn & Co., Detroit, Mich. **Registration**—Expected about Feb. 24.

★ **Gulf Insurance Co., Dallas, Texas (4/12)**
Feb. 15, T. R. Mansfield, President, announced that company plans to offer to its stockholders of record April 12 the right to subscribe for 5,000 additional shares of capital stock (par $10) on a pro rata basis. **Price**—Not exceeding $55 per share. **Proceeds** — To increase capital and surplus. **Underwriters**—None.

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 around November, 1954, an issue of about $16,500,000 first mortgage bonds due 1984 and 40,000 shares of cumulative preferred stock (par $100). **Underwriter** — To be determined by competitive bidding. Probable bidders: (1) For bonds—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.; (2) for preferred—The First Boston Corp.; Smith, Barney & Co.; Lehman Brothers; Union Securities Corp.

● **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) being offered for subscription by stockholders on the basis of one new share for each 20 shares held as of Jan. 22; rights to expire on March 2. **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.

★ **Louisiana Power & Light Co. (3/23)**
Feb. 9 it was announced 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.; W. C. Langley & Co. and The First Boston Corp. (jointly); Lehman Brothers; Kuhn, Loeb & Co.; Union Securities Corp.; Equitable Securities Corp.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Registration**—Planned for Feb. 25. **Bids**—Expected up to noon (EST) on March 23.

Louisville & Nashville RR.
Nov. 12 it was reported that the company may issue and sell an issue of bonds late in 1954. **Proceeds**—To retire $24,610,000 Atlanta, Knoxville & Cincinnati Division 4% bonds due May 1, 1955, and for general corporate purposes. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Salomon Bros. & Hutzler (jointly).

Metropolitan Edison Co.
Dec. 16 it was reported company may sell in 1954 about $3,500,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly).

★ **Missouri Pacific RR. (3/3)**
Bids will be received by the company on March 3 for the purchase from it of $3,000,000 equipment trust certificates, series XX. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

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 Fuel Gas Co.**
Feb. 9 it was reported company plans additional financing in the next few weeks. **Underwriters**—For any debentures to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Wertheim & Co. (jointly); White, Weld & Co.; Harriman Ripley & Co. Inc.

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.

★ **New York State Electric & Gas Corp.**
Feb. 3 company sought authority from the New York P. S. Commission to sell an issue of $5,000,000 par value of preferred stock early this spring. It is also planned to issue and sell in the spring $20,000,000 of first mortgage bonds. Previous financing was done privately.

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 Power & Light Co. (3/29)**
Feb. 15 it was reported company has applied to F. P. C. for authority to issue and sell $8,000,000 first mortgage bonds due 1984. **Proceeds**—For construction program and to repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc. and White, Weld & Co. (jointly); Kidder, Peabody & Co.; Union Securities Corp.; Bear Stearns & Co., Lehman Brothers and Salomon Bros. & Hutzler (jointly). **Registration**—Feb. 25. **Bids**—Expected March 29.

● **Pennsylvania Electric Co. (3/16)**
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 March 16.

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 March 1, 1984. **Proceeds**—To help refund $13,200,000 of mortgage bonds which mature from 1958 through 1960. **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.

★ **St. Louis, Brownsville & Mexico Ry. (3/3)**
Bids will be received by the company on March 3 for the purchase from it of $1,845,000 equipment trust certificates, series FF. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

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 &

Continued on page 50

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Continued from page 49

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 up to 11 a.m. (EST) 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.

★ **Sutton (O. A.) Corp., Wichita, Kan.**
Feb. 15 it was reported company may do some financing later this year, either public or private. **Business**—Air circulating equipment, etc.

★ **Temco Aircraft Corp.**
Feb. 9 it was reported sale of about $5,000,000 of preferred stock is planned, partly for account of company and part for selling stockholders. **Underwriters**—Van Alstyne, Noel & Co., New York. **Registration**—Expected in March.

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).

★ **Texas & Pacific Ry. (3/24)**
Bids will be received by the company up to noon (EST) on or about March 24 for the purchase from it of $1,240,000 equipment trust certificates due in 1-to-10 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

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.

★ **West Coast Telephone Co.**
Feb. 6 it was announced California P. U. Commission has authorized company to issue 20,000 shares of common stock (par $25). **Proceeds**—To repay bank loans and for construction program. **Underwriter** — Blyth & Co., Inc., San Francisco, Calif.

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.

★ **Wisconsin Public Service Corp.**
Feb. 11 it was reported company expects to offer to its common stockholders, probably around the middle of March, 316,867 additional shares of its common stock in the ratio of one new share for each seven shares held. A limited number of shares would be available to employees for subscription. **Proceeds** — For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; Kidder, Peabody & Co.; The First Boston Corp.; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc.

★ **York Corp.**
Feb. 11 it was reported company may do about $23,000,000 of new financing. **Underwriters**—The First Boston Corp. and Kidder, Peabody & Co., of New York.

Our Reporter's Report

Strong intimations that the Federal Treasury will be in the market with a long-term issue, probably the middle of next month, have served to take the edge off the rising trend in the secondary bond market.

The high-grade corporate market, taking its cue from progressive easing in basic money rates which culminated in a cut in the rediscount rate throughout the Federal Reserve System a fortnight ago, has been in a strong upward trend for some three months.

The cumulative effect has been to bring the average yield for top-grade issues down sharply, so abruptly in fact, that there is a general feeling that some of the relatively high-coupon bonds of relatively recent vintage may be the objects of refunding as spring approaches.

However, it would appear that current level of gild-edge bond yields will require a little more seasoning before the market is regarded as ready for some of the refundings of which the more optimistic now are talking.

At the moment market conjecture quite naturally revolves around what the Treasury might be expected to attempt in the way of fixing the maturity and the rate for a long-term bond issue.

Guesses run largely to the idea of a 25-year or 30-year bond, for either a billion or two billion dollars, with a coupon rate of 3 or 3⅛%. Belief is that the Treasury will have sounded out institutional investors thoroughly before making its final decision.

Right now the Street would not be surprised at the longer maturity and the higher rate. But it does not expect the seasoned market to do much until the die is cast.

Making Ready

Prospective corporate borrowers are now expected to defer any plans they may have in mind until after mid-March. The current calendar is thin and considered likely to remain so in the interval.

As a matter of fact new issues have been light through the past month a fact which has been an influence in pushing the secondary market steadily ahead.

Meantime it is indicated that insurance companies are allowing their resources to build up, presumably in anticipation of a Treasury offering that will be attractive to them.

Fertile Field

Spurred by the tremendous growth of natural gas operations the straight gas utilities, including pipeline operators, set a fast pace in new money requirements last year and bid fair to maintain it this year.

This industry raised an aggregate of just over a billion dollars in 1953 compared with $909,000,000 in the preceding period. And they were able to increase the proportion of equity capital despite a slight dip in the amount of preferred stock sold from $93,000,000 to $91,000,000.

They marketed a total of $160,000,000 in junior equities contrasted with $64,000,000 the year before and sold $179,000,000 of debentures against $71,000,000 in 1952. Fixed debt obligations, that is mortgages, sold in the year footed up to $573,000,000 against $343,000,000.

With F. I. du Pont Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Bruce F. Osterweil is now with Francis I. du Pont & Co., 9640 Santa Monica Boulevard.

Blyth Group Offer Pacific G. & E. Bonds

Blyth & Co., Inc. heads an investment banking group which publicly offered yesterday (Feb. 17) a new issue of $60,000,000 first and refunding mortgage bonds, series W, of Pacific Gas & Electric Co. The issue was awarded to the group at competitive sale Tuesday on a bid of 100.54 for a 3⅛% interest rate. The bonds, which mature Dec. 1, 1984, are being reoffered at 101.09 and accrued interest from Dec. 1, 1953, to yield 3.07% to maturity.

Pacific Gas and Electric will use the proceeds from the financing to meet, in part, the cost of current construction which is estimated at $340,000,000 for the years 1954 and 1955. This expenditure will boost the amount spent on new additions by the West Coast utility since 1948 to $1,022,984,000. As of Oct. 31, 1953, the company held Certificates of Necessity to amortize for income tax purposes an estimated $113,000,000 of construction costs. Pacific Gas and Electric supplies electric and gas service in northern and central California. Of operating revenues of $361,100,000 for the 12 months ended Oct. 31, 1953, 70% was derived from electric sales and the balance from the company's gas business. For the same period, approximately 85% of electric requirements was generated by the company while more than 99% of natural gas requirements was purchased. Gross income for the period amounted to $77,417,000.

The company expects to offer shares of its common stock in exchange for the outstanding common and preferred stocks of Pacific Public Service Co., subject to approval of regulatory authorities. Upon approval and completion of the exchange, Pacific Public Service and its subsidiary will be merged into Pacific Gas & Electric.

Continued from first page

As We See It

from the throats of Democratic politicians than from the members of the other major party.

We do not profess to know whether the Republican party—or even the individuals engaging in this type of campaigning — will gain from the extreme statements they are now so fond of making, although we should hope not. However, we are convinced that there could be no thought of gain from it were it not for certain circumstances of the past for which the opposing political party was chiefly responsible.

Why It is Possible

Without Hiss and White and Fuchs and the others, together with the lack of any apparent concern on the part of the regimes during which these individuals operated, there could be no real problem of McCarthyism today. Senator Jenner's sensational charges about our part in the Korean mess would hardly be made, or if made would hardly be taken seriously, had not our policy, or lack of policy, with regard to that peninsula been so almost incredible over the years.

If the attitude of the Fair Deal managers had not been so obviously indifferent to all that has now been established as then going on, and if the record now did not show that incredible negilgence about it all was the rule during the Truman Administration, it would be difficult for Senator McCarthy to convince the public, or any very substantial portion of it, that he is finding a Kremlin spy or an American traitor behind every Democratic bush. If the basic philosophy of the New Deal had not been so revolutionary, so utterly at variance with American tradition, so defiant of what had theretofore been held politically and socially almost sacred in this country, so contemptuous of practically everything then and theretofore held by most Americans as inviolable—if such had not been the intrinsic nature of the Roosevelt philosophy and later the Truman attitude, then the thousand suspicions of disloyalty now flourishing in the minds of many could have had no root.

A similar history is easily traced for many of the strictures now coming from the throats of the Democratic minority. A system of mammoth subsidies to farmers has all but wrecked the basic structure of agriculture in this

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country while laying a heavy burden of cost upon the entire community. The Eisenhower Administration has been trying to do a little something about it—not nearly as much as should be done, but at least some measure of minor improvement. What is the result? According to Democratic politicians, the Administration is "sticking a pitchfork in the back of the farmer," or something more or less to this effect.

Although the farmer has traditionally been a darling of the politicians, only a very few decades ago even a suggestion of any such largesse to the farmer as that innate in even the Eisenhower plan would have been regarded by the general public as utterly out of the question. The New Deal taught the farmer to look to Washington rather than to his own resources whenever the going got rough—and even when it was not rough—and it at the same time led the rank and file of the people of this country to accept without question this servility of the agrarian producer. If this were not true no such competition for the vote of the farmer would be under way now—and if it were, it would hardly prove profitable for either party.

Elsewhere, Too

The same principle may be seen in action at many other points in our midst. Were it not for the New Deal teaching and the continuation of the same preachment by the Fair Deal we should not have critics screaming for more social "reform," more liberal treatment of the indigent—real and imaginary—not as a humanitarian procedure but as a means of defending ourselves against a possible depression. We have always had with us the demagogue who at election time shouts to high heaven about the poor treatment the ordinary man gets—in taxes and other things. Yet prior to the New Deal we should scarcely expect in peace time that anyone would come forward with a straight face and demand greater rather than less "progressiveness" in our tax structure than that which now exists. Yet such cries ring in our ears at a time when apparently the Administration is doing what it can to bring some order and rationality into our incredibly bad systems of taxation. It remains to be seen how deeply New Deal doctrines in this area have become rooted in the mind of the general public.

Certainly, prior to 1933 we should not expect to see even a minority party eager to get back into office attacking the party in power by predicting catastrophic depression within months and asserting that the Federal Government is doing nothing to prevent it—doing nothing, that is, in the way of applying a hair of the dog that did the biting, assuming that the patient is actually suffering from a serious malady or wound. And wonder of wonders, the very policies of the Administration most likely to lay a solid foundation for defense against bad times are not infrequently the ones most under attack by those who would have the Federal Government ward off a depression.

This is evidently destined to be a "mud slinging" campaign. It is likewise apparently certain to be one in which many fictitious issues and much economic nonsense are to figure conspicuously. This is apparently the penalty we have to pay for following false gods in the past. We can only hope that it will not too greatly impede constructive work.

Continued from page 5

Observations . . .

tion, EPT's extension was condoned—in contrast to Fair Deal Secretary Snyder's prior firm advocacy of its termination.

Over-all, the Council backs the Administration's acceptance of the defensive against the broadside of charges of "too little and too late" hurled from all sides, without any primary questioning whatever of the actual wisdom of intervention. Quite amazingly, in view of its pre-Election statement of principles, this Administration is acting and talking on the major premise of unbridled planning with inflation to combat troublesome (politically) deflation and recession.

Carrying on full blast under the banner of the Chairman's statement made in his 1953 Annual Report to the Directors of the National Bureau of Economic Research (republished Feb. 22 in "The Frontiers of Economic Knowledge" by Arthur F. Burns, Princeton University Press) "social control of business cycles emerged as a political necessity, both domestically and internationally," the Council is set for an economy with full planning and intervention—sweetened by a vaguely gestured bow to "private business," which is seemingly nothing more than the equivalent of lip service.

Fairness prompts pointing out that Eisenhower-ism does differ from Roosevelt-ism regarding the former practice of demagogic baiting of businessmen *per se*. At the same time may it not be asked, if socialization-cum-inflation is really to be devoted to the furtherance of private business, whether there is perhaps cause for worry that we may be actually, though unwittingly of course, headed toward a form of *fascism?*

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Karl W. Lundberg has been added to the staff of Dempsey-Tegeler & Co., 210 West Seventh Street.

F. S. Moseley Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Henry P. King, Jr. has been added to the staff of F. S. Moseley & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

DIVIDEND NOTICES

COMMERCIAL SOLVENTS *Corporation*

DIVIDEND No. 77

A dividend of twenty-five cents (25c) per share has today been declared on the outstanding common stock of this Corporation, payable on March 31, 1954, to stockholders of record at the close of business on March 3, 1954.

A. R. BERGEN, *Secretary.*

February 15, 1954.

E. I. DU PONT DE NEMOURS & COMPANY

Wilmington, Del., February 15, 1954

The Board of Directors has declared this day regular quarterly dividends of \$1.12½ a share on the Preferred Stock—\$4.50 Series and 87½¢ a share on the Preferred Stock — \$3.50 Series, both payable April 24, 1954, to stockholders of record at the close of business on April 9, 1954; also \$1.00 a share on the Common Stock as the first interim dividend for 1954, payable March 13, 1954, to stockholders of record at the close of business on February 23, 1954.

L. DUP. COPELAND, *Secretary*

BRIGGS & STRATTON CORPORATION

DIVIDEND

The Board of Directors has declared a quarterly dividend of twenty-five cents (25c) per share and an extra dividend of fifteen cents (15c) per share, on the capital stock (without par value) of the Corporation, payable March 15, 1954, to stockholders of record February 26, 1954.

L. G. REGNER, Secretary.

Milwaukee, Wis.
February 16, 1954

AMERICAN Cyanamid COMPANY

PREFERRED DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of eighty-seven and one-half cents (87½c) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series A and Series B, payable April 1, 1954, to the holders of such stock of record at the close of business March 2, 1954.

COMMON DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of fifty cents (50c) per share on the outstanding shares of the Common Stock of the Company, payable March 26, 1954, to the holders of such stock of record at the close of business March 2, 1954.

R. S. KYLE, *Secretary*

New York, February 16, 1954.

DIVIDEND NOTICES

J. I. Case Company
(Incorporated)

Racine, Wis., February 15, 1954.

A dividend of \$1.75 per share upon the outstanding Preferred Stock of this Company has been declared payable April 1, 1954, and a dividend of 25c per share upon the outstanding \$12.50 par value Common Stock of this Company has been declared payable April 1, 1954, to holders of record at the close of business March 12, 1954.

WM. B. PETERS, *Secretary.*

Johns-Manville Corporation
DIVIDEND

The Board of Directors declared a dividend of 75c per share on the Common Stock payable March 11, 1954, to holders of record March 1, 1954.

ROGER HACKNEY, *Treasurer*

LION OIL COMPANY

A regular quarterly dividend of 50¢ per share has been declared on the Capital Stock of this Company, payable March 16, 1954, to stockholders of record February 26, 1954. The stock transfer books will remain open.

E. W. ATKINSON, *Treasurer*

February 12, 1954.

LOEW'S INCORPORATED
MGM PICTURES · THEATRES · MGM RECORDS

February 17, 1954

The Board of Directors has declared a dividend of 20c per share on the outstanding Common Stock of the Company, payable on March 31, 1954, to stockholders of record at the close of business on March 12, 1954. Checks will be mailed.

CHARLES C. MOSKOWITZ
Vice Pres. & Treasurer

Newmont Mining Corporation
Dividend No. 103

On February 16th, 1954 the Directors of Newmont Mining Corporation declared a regular dividend of 50c per share on the 2,658,230 shares of its Capital Stock now outstanding, payable March 15th, 1954 to stockholders of record at the close of business March 1st, 1954.

WILLIAM T. SMITH, *Treasurer*

New York, N. Y., February 16th, 1954.

The Board of Directors of **PITTSBURGH CONSOLIDATION COAL COMPANY**

at a meeting held today, declared a quarterly dividend of 75 cents per share on the Common Stock of the Company, payable on March 12, 1954, to shareholders of record at the close of business on February 26, 1954. Checks will be mailed.

CHARLES E. BEACHLEY,
Secretary-Treasurer

February 15, 1954.

Public Service Electric and Gas Company

NEWARK, N. J.

QUARTERLY DIVIDENDS

Dividends of \$1.02 a share on the 4.08% Cumulative Preferred Stock, \$1.17½ a share on the 4.70% Cumulative Preferred Stock, 35 cents a share on the \$1.40 Dividend Preference Common Stock, and 40 cents a share on the Common Stock, have been declared for the quarter ending March 31, 1954, all payable on or before March 31, 1954 to holders of record at the close of business on March 1, 1954.

GEORGE H. BLAKE
President

PUBLIC SERVICE
CROSSROADS OF THE EAST

DIVIDEND NOTICES

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of \$1.00 per share and an additional dividend of 25 cents per share on the Company's capital stock, payable March 15, 1954, to stockholders of record at the close of business February 24, 1954.

E. F. VANDERSTUCKEN, JR.,
Secretary.

STAUFFER CHEMICAL COMPANY

DIVIDEND NOTICE

The Board of Directors has declared a dividend of 32½¢ per share on the common stock payable March 1, 1954 to stockholders of record at the close of business February 16, 1954.

Christian deDampierre
Treasurer

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.

219th
Consecutive Quarterly Dividend

A dividend of seventy-five cents per share on the capital stock of this Company has been declared payable April 15, 1954, to stockholders of record March 22, 1954.

EMERY N. LEONARD
Secretary and Treasurer

Boston, Mass., February 15, 1954

REEVES BROTHERS, INC.

DIVIDEND NOTICE

A quarterly dividend of 30c per share has been declared, payable March 12, 1954, to stockholders of record at the close of business March 1, 1954. The transfer books of the Company will not be closed.

J. E. REEVES, *Treasurer*

February 15, 1954.

ROBERTSHAW-FULTON CONTROLS COMPANY

Greensburg, Pa.

PREFERRED STOCK

A regular quarterly dividend of \$0.34375 per share has been declared on the \$25.00 par value 5½ per cent Cumulative Convertible Preferred Stock, payable March 20, 1954 to stockholders of record at the close of business March 10, 1954.

COMMON STOCK

A regular quarterly dividend of 37½c per share has been declared on the Common Stock payable March 20, 1954 to stockholders of record at the close of business March 10, 1954. The transfer books will not be closed.

WALTER H. STEFFLER
Secretary & Treasurer

February 8, 1954

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D.C.—Evolution of an Eisenhower Administration housing program has now reached its legislative or third phase. The first phase was the formulation of a set of recommendations by the President's Advisory Committee on housing. The second phase was the President's housing message to Congress.

Now a concrete legislative proposal has been drafted and introduced by the Chairmen of the two Congressional Banking Committees. The proposed bill represents a considerable "toning down" or bringing down to earth of the almost stratospheric objectives given by the President in his housing message. As such the bill reflects some of the practical influence of seasonal legislative judgment, particularly the wisdom of Rep. Jesse P. Wolcott (R., Mich.), the House Chairman, who has been in consultation with the White House.

Has Two Motives

As introduced, however, the bill still reflects the twin but somewhat opposed motives of the White House.

On the one hand the Administration wants to utilize housing construction and renovation as a major device to combat a business set-back should one occur, while also sustaining a large scale volume of housing operations even without any depression.

On the other hand, the Administration also seeks ideologically and theoretically to lessen dependence of the housing business upon government.

As drafted, the bill reflects this conflict throughout, and hence appears inconsistent; it seeks on the one hand to divert housing somewhat more toward private channels, while at the same time building a big standby speedway of government credit down which, if needed, the Administration could beat a hasty retreat from private enterprise and toward subsidized or supported credit.

FNMA Altered

These twin motives are typically reflected in the proposed treatment of the Federal National Mortgage Association.

It has long been the desire of Federal housing officials to establish a genuine secondary national market for government-guaranteed credit, and housing legislation has retained on the books provision for chartering private corporations to engage in such a business.

By and large, however, the profit prospects of such an operation have not appealed to private finance, so the government has provided its own secondary market through FNMA which was first in the RFC and is now in the Housing and Home Finance Agency.

Under FNMA the government put itself in the position of first insuring or guaranteeing a mortgage loan to a private financing institution, and then turning around and buying the same instrument out of private hands with public money. Hence FNMA has had its ups and downs, according to the willingness of Congress and/or the Administration to put the steam of Federal cash behind the housing boom.

Under the Wolcott-Capehart bill FNMA would actually conduct three more or less distinct types of operation.

(1) To establish what the bill calls a "true secondary market," FNMA would sell debentures of the corporation to the investing public to provide the funds, roughly, for future purchases of government-sponsored loans. Institutions availing themselves of this "secondary market" would be required to lay aside a sum equal to 3% of its mortgages so placed into a kind of nether capital of FNMA, which wouldn't become true capital shares until the Treasury's investment into FNMA was paid off.

At the same time FNMA would definitely retain its legal charter and a financially *de facto* character as a government corporation, and would have a contingent call upon the Treasury for sums between $500 million and $1 billion. The latter is intended to establish the reliability of the debentures in the mind of the investing public even though the debentures, as such, are not to be government-guaranteed or to be considered a part of the public debt.

With the 3% contribution to FNMA's capital funds, the proposed secondary market hence would become to all practical purposes a discount market, and would be subject to the overall limitations upon its usefulness to which any discount market for mortgages would be subject.

(2) FNMA would also seek to liquidate in an orderly manner its present portfolio of $3.5 billion of FHA and VA loans, diminishing by the extent to which it succeeded, the dependence of the housing business upon government credit.

How well these provisions (1) and (2) would work out even if enacted by Congress remains to be seen. Nevertheless, no one who has followed housing legislation for the past 20 years has noticed such an earnest attempt to conjure up a scheme to lessen the channel between the Treasury and the housing mortgage market.

Opens Channel

(3) Phase three of FNMA under the bill would open up FNMA to the purchase of any type of insured or guaranteed mortgage which the President directed. This is the speedway of government credit which would be provided. It would not merely be available to make it possible to provide funds for the Republican version of low-cost "private enterprise" housing. It could also be used to be sure that if loans on used housing (to be equalized in standing under FHA and VA) did not go over in the market, government funds would be available.

Finally, FNMA could become as complete and total a conduit between the guaranteed and insured housing loan and the Treasury as the President wished to make it, **provided** Congress made the borrowing power available to FNMA.

Here again, however, there is evidence of the caution and design of such thinkers as Mr. Wolcott. Initially FNMA would be restricted to having outstanding not more than $700 million of such a direct channel, while the direct authorization for the new types of loans would be $300 million, $100 million of which would finance a government participation on a 20% basis, providing an additional contingent liability of $400 million.

Confine Loans and Grants

As written by the President, it appeared that the White House wanted the government to make loans and grants not merely for slum clearance and urban rehabilitation, plus public housing, but also for any other nebulous phases of municipal housing problems involved in "preventing decay" and "eliminating substandard housing."

In other words, the President's message gave the impression that a great deal more of the total urban housing pie would come under direct Treasury subsidy as well as becoming the beneficiary of insured and guaranteed credit.

While the Wolcott-Capehart housing bill is complex, it appears that an entirely different approach has been made. Direct loans and grants of Treasury funds will still be made for (1) slum clearance and urban rehabilitation and (2) public housing, **but the scope of the grants will not be increased. Instead, what municipalities must do to get such grants will be increased.** In other words, cities must convince the Federal officials that they are dealing adequately with preventing urban housing decay generally in order to get grants on the present basis.

Broad Loan Terms

Finally, the bill proposes generally to loosen up all and down the line the terms of FHA and VA loans, permitting a greater loan to ratio of value, longer repayments, lower down payments.

However, after the Congressional draftsmen had a hand in the subject, the bill proposes, not an immediate loosening up, but a loosening up only if the Presidents directs. And it furthermore lays down a new schedule of maximum terms.

Congress Will Change Bill

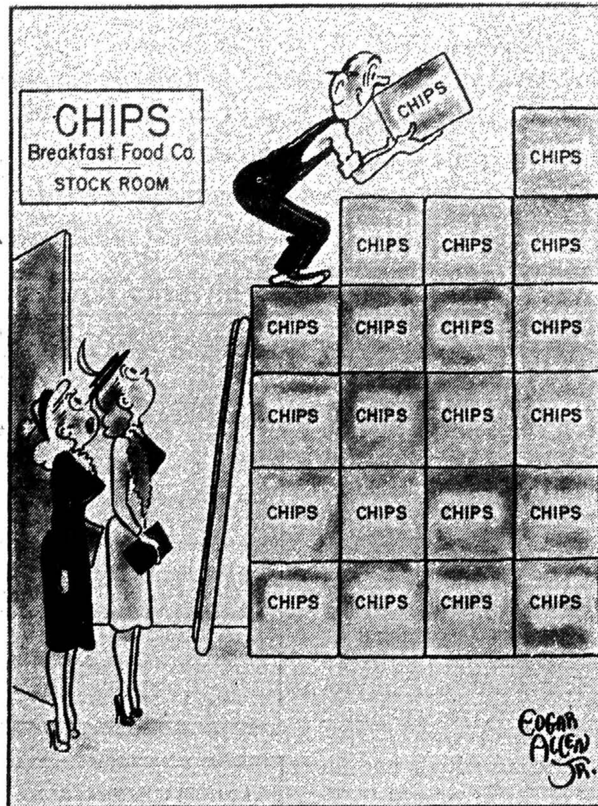
In all likelihood, Congress is likely to make considerable changes in the Wolcott-Capehart bill. It is more likely to legislate flat easing of FHA and VA loan terms without giving the President broad power to ease or tighten terms as he sees fit. As drafted, the legislation would constitute a practical "Regulation X" on a standby basis, permitting the President to dampen down as well as ease up on government-sponsored mortgage credit. This may also arouse opposition in Congress.

By the proposing to equalize the mortgage on the used with the new house, and generally to lengthen the scope of insured and guaranteed credit, the present Administration is paving the way, should another inflation-minded Administration and Congress come to power, for a pell-mell government-inspired housing boom, even if the Eisenhower Administration does not find it necessary to do so for anticyclical purposes.

For the Administration bill is, in a word, so drafted that about a flick of the dial would turn the picture from conservative to inflationary.

(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



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