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EDITORIAL

As We See It

One of the most disconcerting events of recent years was reported from Washington last week, or at least it seemed so to us at the time and sober second thought has not availed to alter that first impression. It was the action of Senator George in coming forth with a proposal that personal income tax exemptions be drastically raised as a means of placing additional "purchasing power" in the hands of the rank and file and thus of warding off a depression or recession.

Of course, the notion is not new. Although the Senator would apparently take rather more drastic action than most of the others have so far suggested, essentially the same idea has for some time been a sort of rallying cry of the New Deal and the Fair Deal elements in the Senator's party, and among the labor union followers of Roosevelt, Truman, Keynes and the others. It has also been the favorite theme of the more intellectual Senator Douglas, and it is now evident that the President himself has been giving the idea more than passing consideration.

But this is Senator George speaking—not some of the more politically minded among his party members, not some of the more radical followers after the false gods of the 'Thirties, but Senator George, one of the well recognized and most influential old-line conservatives of the Democratic party. This wing of the party is ordinarily given credit for possibly most nearly representing the intelligent conservatism of the nation. This action on the part of the Senator is exasperating not only because with such sponsorship the movement becomes doubly dangerous, but also for the reason that a leader and a statesman upon whom

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1954 Is a Key Year

By SHERMAN ADAMS*

Assistant to the President

Commenting on the effects of the 1929 depression, the President's chief assistant finds that it led to a government paternalism, which meant: (1) a blind willingness of people to entrust their decisions to the party in power; (2) the belief that the Administration could do no wrong and Government knows best, and (3) a creeping irresponsibility and decline in the standards of honesty. Says it is now time to return to independent spirit of our ancestors. Lists the "debris" that has been cleared away, and indicates Eisenhower program of 1954 is to decentralize certain responsibilities and restore individual energy and incentive, while, at the same time, being prepared to cope with unseen emergencies. Concludes people and government "will never accept another grave depression."

At every time, in every year, there are always important issues which confront us in this country. There are always at least two sides to every important question. The opportunity of discussion, of argument, of disagreement is a basic ingredient of our way of life. Debate produces decisions, but debate produces understanding as well. It is good. We believe in it.

Sherman Adams

But occasionally, reflecting upon an argument about world trade, for instance, or agriculture, or finance, or labor, or security, social or national, there seems to emerge a much more prophetic and portentous issue. We get a feeling that some time in the future the historians, looking back will say, "In that age, here was the really important question. Note how they answered it."

The significance of the hour in which we gather must be to you as it is to me a striking thing. This is a year of decision, but no one should be so bold as to say it is the greatest year of our lives, any

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*An address by Mr. Adams at the Annual Meeting of the American Paper and Pulp Association, New York City, Feb. 18, 1954.

Vacuum in Asia

By MELCHIOR PALYI

Dr. Palyi, maintaining the "explosive nature of the Asiatic situation is not being fully appreciated," discusses political and economic situations in Far East, where, he points out, there are local as well as global conflicts. Stresses overpopulation in the area, and difficulties caused by weakness in the price of Asia's raw materials. Says American policy in Far East is in a vacuum that is rapidly fading out, and "in effect it is no policy at all."

The explosive nature of the Asiatic situation is not being fully appreciated.

"Free" Asia, from the Suez Canal to Japan, has (silently) accepted our containment policy as a good thing. Nations within the American orbit, Japan in particular, take it for granted that the policy actually works: that the Soviets are contained and will not dare to invade them. The sense of security from Russian aggression provides these countries with a measure of freedom of action —for intrigue and double-play. But such security, whatever it is worth, does not apply to the Asiatic Continent. The nations of that entire region are aware of the fact that they live in a vacuum, as it were. It is a military, political and economic vacuum, wrapped in one.

Dr. Melchior Palyi

Europe—Stabilized?

Of course, the European side of the Soviet empire is not exactly well balanced either. Financially, it hovers on the edges of recurrent dollar crises. Militarily, it is anything but secure. An impending new turn of the wage screw may price Britain out of the world markets. Countries like France and Italy are torn asunder by social strife. But by and large, we have succeeded — seemingly — in stabilizing the trans-Atlantic situation. War on that side is not in prospect, nor is internal revolution, and NATO forces have reached a respectable size. Record-sized American aid, favorable terms of trade, artificially reduced dollar imports and subsidized dollar exports, Russian gold and a (wishful)

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

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Piasecki Helicopter Corp. common stock—Herbert E. Greene, Resident Manager, Coburn & Middlebrook, Inc., New York City. (Page 2)

HERBERT E. GREENE
Resident Manager
Coburn & Middlebrook, Inc.,
N. Y., Boston, Hartford, Providence and Portland, Me.

Piasecki Helicopter Corporation Common Stock

Much is being said and written these days about the future enhancement in value of growth securities. One company that readily comes to mind is the Piasecki Helicopter Corporation which owns and operates a 414,000 square foot plant on a 90-acre tract with flying area at Morton, Pa., on the outskirts of Philadelphia. The company leases an additional 200,000 square feet at the Philadelphia International Airport, Chester, Pa.


Herbert E. Greene

Announcement was made Feb. 18, 1954 that Piasecki had leased 240,000 square feet of new floor space at Ardmore, Pennsylvania. Employment there will be about 500 by the end of the year, and is expected to rise to 1,000 to 1,200 by late 1955.

This company which has 4,600 workers at the main Morton, Pennsylvania, plant and about 1,000 shareholders holding 700,000 shares (par $100) as of December, 1952, has made remarkable progress in the expanding field of transport helicopters for military use.

The 1952 sales were $64,450,014, while 1952 net earnings after taxes were $826,315. The 1953 earnings are estimated to exceed $1,000,000.

The unfilled backlog of orders at the end of 1952 was $150,000,000.

Piasecki is well along in negotiations for additional business which could materially add to its current backlog of unfilled orders.

This growing company has other attractive qualities that recommend it to the attention of investors who desire future growth possibilities and expect a rise in market value. The company paid 100% in stock May 16, 1951 and 10% in 1953.

The company is going ahead with its programs for a very large H-16 helicopter twin engine machine. The first version of this machine has been flight tested and it is understood that a newer version with improved motive power might be ready to fly in 1954. Piasecki is also experimenting with gas turbine engines which, if successful, should greatly increase speeds.

More should be said about the potential inherent in the development of a large twin engine helicopter. Airlines are anxiously awaiting the development of such a ship since the additional safety factor accompanied by twin engines is almost required before the helicopter can be introduced as a passenger-carrying vehicle. Also, a helicopter of the capacity of the H-16 will permit the military to use the helicopter for entirely new functions. Such a helicopter is expected to replace the large Army truck under certain circumstances.

One logistical advantage which comes to mind in this connection is that a large helicopter in supplanting a truck also in many cases will eliminate the necessity to construct high cost roads in the battle area. Under such circumstances, although the helicopter is a much more expensive vehicle than the truck, there may well be a large net savings in cost to the Government. This is one reason why the Army, in particular, is so anxious to test out helicopters such as the H-16.

An interesting sidelight of 1952 and 1953 earnings is that the company is accruing E. P. T. at the maximum rate although they intend to claim exemption from E. P. T. in filing with the Bureau of Internal Revenue. Thus if their argument is upheld a credit to surplus can be expected in later years.

Piasecki is the biggest company that manufactures helicopters exclusively, and it has an alert-minded personnel headed by F. N. Piasecki, Chairman; D. R. Berlin, President, and C. H. Miller, Executive Vice-President and General Manager, and W. R. Frysztacki, G. W. Speer, H. S. Pack, E. Deland and L. Douglas, Vice-Presidents.

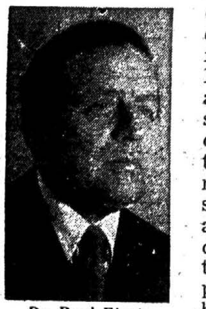
Piasecki's future looks bright inasmuch as Government expenditures for helicopters will probably be increased. The common stock was quoted on the over-the-counter market Feb. 24, 1954 at 20½ bid and 21¼ asked.

Ups and Downs of the London Stock Exchange

By PAUL EINZIG

Dr. Einzig, commenting on the recent setback in the London Stock Exchange boom, ascribes it to wave of pessimism created by the prospect that there will be no revenue surplus in the British budget and, therefore, no likelihood of tax concessions. Another contributing factor, he points out, is, the failure to reduce the Bank Rate. Sees, however, no signs of recession in Great Britain.

LONDON, Eng. — The Stock Exchange has been attracting an increasing amount of attention since the turn of the year. Boom-like conditions developed during the first week of February, but a noteworthy setback occurred towards the middle of the second week, after the index had nearly touched its postwar high record reached seven years ago. The rising trend was justified to a large degree by the evidence that many boards of directors are now prepared to disregard the unofficial ban on dividend increases. Actual and anticipated "take-over bids" by financiers wanting to take advantage of the artificially low level of quotations to secure the control of various companies have also contributed towards the upward movement. Indeed it appeared as though the movement would continue for some time.


Dr. Paul Einzig

The reason for the setback was partly Mr. Butler's refusal to yield to pressure in favor of Purchase Tax reductions. His statement in the House of Commons, announcing his decision, was couched in ambiguous terms and was widely interpreted as indicating his unwillingness to make any kind of tax reductions this year. The publication of a large Supplementary Estimate, showing that food subsidies are still running at the rate of £325 million, contributed towards creating a wave of pessimism. It made the public realize that there would be no large revenue surplus available for tax concessions.

Another reason for the setback was that, contrary to widespread expectations, the Bank Rate was not reduced on February 11. After the reductions in New York and Paris it was widely believed that London would follow the example. The authorities decided, however, that there would be no justification for such a move at the present time. Their decision was wise, both from the point of view of internal conditions and from the point of view of the balance of payments.

There is no sign of any business recession in Britain that would call for a bank rate reduction. Unemployment is quite negligible. The demand for consumer goods is running at a high level. Nor is there any need for stimulating capital investment. On the contrary, the government has to check public and private expenditure on capital equipment, in order to avoid inflation, and also because Britain's available resources are fully employed. A very modest road building program has recently been announced, subject to much criticism on account of its timidity. New roads are in urgent demand, but the government does not want to divert too much of Britain's limited resources towards a purpose which is not immediately productive.

In the circumstances there would be no point in stimulating capital expenditure with the aid of reduced interest rates. The trouble is that domestic expenditure of every kind is too high. A slackening of domestic demand for both capital goods and consumer goods would help export trade by increasing the exportable surpluses available and by discouraging excessive wages demands.

Sterling could do with a little strengthening. The gold influx, which was a powerful stream a year ago, has now become reduced to a bare trickle. With the Bank rate unchanged, the lower New York Bank rate may divert some funds to London. Needless to say, any gold obtained by such means is a doubtful blessing. It does not really belong to Britain because its counterpart is repre-

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More Than 5 Million Cars Can Be Sold in 1954!

By GEORGE P. HITCHINGS*

Manager, Economic Analysis Department, Ford Motor Co.

In presenting the outlook for consumer durable goods expenditures in 1954, Ford Motor economist looks for a level between the 1952 and 1953 totals, or near previous peak. Says, unless very unfavorable conditions set in, retail sales of new automobiles in 1954 can exceed 5 million cars, compared with 5.7 million in 1953. Points out growth in total car ownership occurs because of (1) increase in number of households, and (2) increase in ownership per household, both of which are rising. Looks for replacements to provide bulk of market for durables, particularly new cars. Ascribes slower rate of car buying partly to return of seasonal patterns existing in a buyers' market.

The currently lower rate of consumer expenditures for durable goods is part of the downward readjustment in general business activity from the temporary build up in the latter part of 1952 and the first half of 1953. This build up was based largely on temporary expansion of durable goods inventories by business and consumers at a rate that could not be sustained.

Geo. P. Hitchings

Our economy can not be expected to move ahead at a steady pace year after year when wars create cycles in durable goods production and construction. The curtailed production of cars, appliances, and housing during World War II built up a backlog of demand for the postwar period. This backlog was largely satisfied for appliances in 1948, but the consumer stock of cars was still not adequate in total and age composition when the Korean War started in 1950. The backlog of demand for cars plus anticipatory buying after Korea pushed consumer purchases of durable goods in 1950 to a record total of $32.4 billion in terms of 1953 price levels. In part, this expenditure was related to a 1.1 million net growth in number of households. A large portion, however, represented increased ownership and replacement of durable goods in existing households.

This rate of expenditure would not have been maintained throughout 1951 and 1952 even if production of cars and appliances had not been curtailed by diversion of materials to armaments and expansion of plant and equipment. Retail sales of cars exceeded 6.4 million in 1950. Consumers also bought greater quantities of other durable goods than could have been maintained in the following year or two. The cutback in production of consumer durables was so sharp, however, that spending for these goods was forced below the free market demand. This was particularly true for cars, as evidenced by the used car price structure and low dealer stocks for most new cars. Consumer expenditures for durable goods were reduced to $28 billion in 1951 and $27.0 billion in 1952 (again in terms of 1953 price levels). Increased supplies of steel and nonferrous metals after the steel strike, coupled with the leveling off in defense requirements, permitted an expansion of consumer spending for durables to $30.2 billion in 1953. The rate was even higher in the first half of the year. Because this higher level in 1953 was based on factors not likely to be repeated in 1954, this year's level will probably be between the 1952 and 1953 totals.

The Automobile Sales Record

The expansion of consumer durable expenditures in 1953 over the 1952 levels occurred almost entirely in the automotive segment. Retail sales of cars rose to more than 5.7 million, compared with only 4.2 million in 1952. Some drop in this area was indicated even if employment and incomes could have continued to rise from the sharply expanded levels of mid-1953. The drop will be accentuated because these employment and income levels were also based on factors not likely to continue in 1954.

New car sales in 1953 were based upon growth and scrappage rates in the total car stock which still reflected an inadequate supply relative to the number of households and buying power within households. The decline in used car prices in 1953 undoubtedly stimulated car ownership in households previously without a car and multiple ownership in those households with only one car. Furthermore, the reduced prices on postwar models induced owners of prewar models to make the jump to ownership of postwar cars. Most of these prewar models were then scrapped because there was little market for them. Previous owners of the postwar cars, who make up the bulk of new car buyers, found it easier to obtain the kind of new car that they wanted. Even the sharp declines in the last half of 1953 in the market value of the cars traded in for new cars was not a deterrent because the dealers ab-

*A statement by Mr. Hitchings before the Joint Committee on the Economic Report, Washington, D. C., Feb. 9, 1954.

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Continental Oil

By IRA U. COBLEIGH

Author of "Winning in Wall Street"

A petit panorama of this progressive enterprise whose petroleum prospecting is indeed Continental, running all the way from the Gulf of Mexico to Baffin's Bay.

The past year was a little disappointing, generally, to those investors whose major market stake was in the quality oils. As a group these (the oils, not the investors) lagged behind the Dow-Jones average performance by about 5½%. There was a lot of warm weather in many areas, which reduced heating consumption; and there was evidence of oversupply, accompanied by sectional price softening, in some categories. Despite this, however, the 1953 figures now coming in suggest an earnings increase for the industry of perhaps 5%, which is scarcely an occasion for pessimism. Actually the most likely single reason for the soggy ticker action of oils is probably the threat of a return of full blast Iranian oil imports at a time when domestic and Venezuelan production together seem to assure a more than adequate supply, in (you'll pardon the expression) a crude way. The titans of oil have, however, coped effectively with the problems of over supply before, and there is no reason to believe that Near East barrelage will be permitted to glut our market, and louse up our present petroleum price structure.

Ira U. Cobleigh

Apart from the items above, we must remember that petroleum is one of our authentic "growth" industries and has never for a moment stopped growing since informed men read their early copies of the "Commercial and Financial Chronicle" by the light of a wick-fed kerosene lamp. This growth has stemmed not only from the population dynamic, but from the steady array of new uses found for petroleum and its derivatives. First kerosene, then gasoline, lubricating oil; crude for heating boilers, homes and propelling diesels; then natural gas, now piped to over 90% of the land area of the U. S.; and most recently jet and rocket fuels, and the petrochemical evolution bringing new dimensions to the plastic and textile industries; not to mention LPG. So even the oils gave Winchell no market flash for 1953; they are still gliding forward statistically, with a demand expansion for 1954 estimated somewhere around 4% over last year.

So, taking note of the overall factors briefly recited above, as a sort of background, let's get down to our stated topic for today, Continental Oil. By all the standards by which competent analysts judge a successful industrial enterprise, Continental would be given a top rating. It is a completely integrated oil company starting off with a good supply of crude. Let's talk about that for a minute.

Continental has estimated crude reserves of around 550 million barrels, and in the neighborhood of 2.8 trillion cubic feet of natural gas. Its 1953 crude oil output averaged 118,900 barrels a day. These are all very interesting figures, but where is the oil coming from? Almost 80% of the total comes from the four states of California, Kansas, Wyoming and Texas; altogether some production is derived from a total of 13 states. About 12% is from California. Well over 10,000 barrels a day of Wyoming output is being delivered to the Platte Pipeline (20% owned) and hopes for expanded future Wyoming production lie in low-gravity oil formations in the so-called Sussex Meadow Creek Field. Many experts now feel that the most promising single area for large scale oil extraction is in the West Texas field. Here Continental is well represented with wells in Crockett, Andrews and Ward Counties, all currently under the most active sort of exploration.

In gas production, Continental has some 135,000 acres in west Kansas, near the famous Hugoton field, and 250,000 acres in Arkansas not far from an area of excellent current gas production. Gross from gas production has been steadily increasing. It was $9.6 million in 1952. It should total $11.4 for 1953.

Continental is also interested in off-shore production and has a ⅜th interest in a syndicate working in three oil fields and two gas fields. Continental's share of the present take is believed to be around 1,500 barrels a day from this tideland operation.

Acreage now held by Continental is above 10 million, and the company has been both aggressive and successful in its search for new oil. For the first nine months of 1953, Continental completed 251 net oil wells, and hit 87 dry holes. For the same period in 1952, the net oil wells were 177 with 85 dead ducks. That's moving the batting average up roughly from .666 to .750 in a single year.

In addition to all this land and search we've mentioned, Continental owns a 75% interest in Hudson's Bay Oil & Gas Co. This doesn't loom large in the production figures of the moment (about 4,000 barrels a day) but the potential is fantastic. Hudson's Bay Oil & Gas has 9,800,000 acres of land in North Canada in which may lie one of the great oil fields of the future. And just to add an inter - continental flavor to Continental, I read recently CLL is part of a syndicate that will drill for oil in the Egyptian desert. Altogether, both by virtue of present holdings and producing wells, and a vast spread of oil-prone land under control for future drilling, CLL should be able to continue its excellent past record of steady expansion of crude output.

The second phase of an integrated oil company is refining. Continental owns eight refineries with a total capacity in excess of 125,000 barrels a day. The largest of these is in Ponca City, Oklahoma, which alone can handle over 50,000 barrels daily.

In transportation, Continental has extensive pipeline interests. It has a 20% interest in Great Lakes Pipe Line transporting gasoline north to the Upper Mississippi Valley; 20% interest in the Platte Pipe Line; 50% interest in Continental Pipe Line and 55% of Rocky Mountain Pipe Line plus a number of other smaller pipeline facilities.

In marketing, Continental's main territory is a wide belt running East from the Rockies to the Middle West and including a big slice of the Southwest.

One of the most impressive things about Continental is its continuously sustained increase in gross operating income. The last five years, in particular, have witnessed a steady climb here from $315 million for 1949 to $397 million in 1952, and $476.8 million in 1953. This is not a lopsided growth as daily production of crude and sales of refined product are advancing in a parallel manner.

In relation to its size, Continental has been carrying on, for some time, a very large scale program of expenditure for capital improvement — $90 million in 1952, and a little less last year, including a $10 million expansion to the Lake Charles refinery. It is this magnitude of capital expansion that has caused Continental to be regarded as one of the favored growth situations among the major oils.

To provide expansion money, some financing was necessary starting originally with a short term bank loan in 1952, I believe, and now extended to mature over a five year period ending Feb. 1, 1959. This debt of about $52 million is followed by 9,736,916 common shares listed on N.Y.S.E. and now selling at about 58. Assuming the indicated dividend of $2.60, the current yield is 4.5%. Moreover, CLL, selling at almost 14 times 1953 earnings of $4.20 per share, has, I believe, the highest current price/earnings ratio of any of the major oil equities, with the exception of Amerada.

Obviously, therefore, investors are placing great weight on (1) the traditional excellence of Continental management, and (2) the aggressiveness and success of Continental's oil exploration program, and (3) the prospect of future location of important oil by virtue of extensive holding in many favorable geographical areas, and (4) the enlarged future earning power created by heavy capital improvements, and (5) the efficiency of transport through a large pipeline network.

The buyer of oils will skip Continental, and consider items like Atlantic, Sinclair, or Richfield, if his goal is current yield. If, however, he is willing to exercise a little long-range patience, and accept a lower cash payout today, in the hope of some sort of stock dividend as time goes on (there was a 100% stock dividend in June, 1951), then Continental may well be the kind of oil share he'd like to learn more about. CLL sold between 48⅜ and 62¾ in 1953. It is demonstrably a better equity today than it was in 1953. While not in a position to offer as wide market swings as Amerada or TXL, it does have some pretty solid investment merit right now, and some rather alluring vistas for expansion in assets and earning power. Continental lives up to its billing, geographically; and it should be a pretty decent market performer if it lives up to prospects.

The U. S. Law on Foreign Reproduction of Gold Coins

By HERBERT M. BRATTER

Referring to private minting of British sovereigns in Italy and the refusal of the Swiss courts to declare these coins counterfeits, Mr. Bratter explains United States statutes outlawing reproduction or importation of reproduced United States coins. Says both manufacture and circulation in U. S. of reproductions of American gold coins is also prohibited by the Gold Regulations. Points out, however, the question whether gold coins are legal tender in U. S. is still obscure.

The private minting in Italy of reproductions of British gold sovereigns of full gold content has caused much discussion in financial circles in Britain and the Continent. In Switzerland in August 1952 an application was heard for an extradition order in connection with the production of such gold pieces. The Swiss Federal Court turned down the request on the ground that sovereigns were no longer used as currency in the United Kingdom and hence their present private manufacture did not constitute an act of counterfeiting money. The Swiss judgment is not acceptable in London, where it is pointed out that gold sovereigns have not lost their legal-tender status and that, moreover, some sovereigns have been struck at the Royal Mint in recent years.

Herbert M. Bratter

With the details and subsequent history of the above-mentioned case we are not here concerned; nor with the French gold coins which are currently minted by the French Mint bearing old dates and which are then sold by the Government of France on the free market in that country. This article deals with the status under American law of gold pieces privately manufactured outside of the United States—reproductions of foreign and American gold coins. It should be noted that no foreign reproductions of gold coins of the United States have come to the attention of Washington, despite occasional rumors to the effect that such imitations have been seen abroad.

Under the U. S. gold regulations as at present administered, it is legal to bring into the United States as well as to hold, buy and sell any gold coins of the United States which are in good condition; also any gold coins of foreign governments not made after April 5, 1933, unless it can be shown that such subsequently-minted coins are rare, in which case they too may be imported, owned and traded. An example of the latter are the recent South African gold coronation coins. In the case of an excellent reproduction of a sovereign or gold Louis, whether minted abroad privately or by some government, the U. S. Government presumably would have no way of identifying the piece as a reproduction and it would be admitted into the country like any genuine coin.

If, however, the reproduction could be so identified, it would be subject to confiscation by the government as counterfeit money. This applies whether the reproduction is that of an American or a foreign gold coin.

It is against the law to manufacture in the United States or to import for sale or use, unless properly authorized, a replica of any coin. This definitely applies to the gold coins privately manufactured in Italy or elsewhere during recent years. The applicable section of the law is Section 489 of Title 18 of the United States Code, which reads:

"Whoever, within the United States, makes or brings therein from any foreign country, or possesses with intent to sell, give away, or in any other manner use the same, except under authority of the Secretary of the Treasury or other proper officer of the United States, any token, disk, or device in the likeness or similitude as to design, color, or the inscription thereon of any of the coins of the United States or of any foreign country issued as money, either under the authority of the United States or under the authority of any foreign government shall be fined not more than $100."

A person who knowingly sells counterfeit American gold coins in the United States incurs the more severe penalties of another section of the law. Section 485 of Title 18 of the United States Code reads:

"Whoever falsely makes, forges or counterfeits any coin or bars in resemblance or similitude of the gold or silver coins or bars coined or stamped at the mints and assay offices of the United States, or in resemblance or similitude of any foreign gold or silver coin current in the United States, or in actual use or circulation as money within the United States: or

"Whoever passes, utters, publishes or sells, or attempts to pass, utter, publish or sell, or bring into the United States, from any foreign place, knowing the same to be false, forged, or counterfeit, with intent to defraud any body politic or corporate, or any person, or possesses any such false, forged, or counterfeited coin or bars, knowing the same to be false, forged or counterfeited, with intent to defraud any body politic or corporate, or any person—

"Shall be fined not more than $5,000 or imprisoned not more than 15 years, or both."

The manufacture and the circulation within the United States of reproductions of American gold coins, either or both, is also prohibited by the Gold Regulations. Under the regulations counterfeit American and foreign gold coins are subject to seizure and forfeiture to the United States and the persons having them are subject to prosecution.

In the law cited above the term "foreign government" is not defined. Does it mean only a government is existence at the time of the prohibited action? Does it include a government in existence when the American law was passed but no longer in existence today, such as the Government of Latvia or Manchukuo? Does it include governments of the more distant past, like that of the Hapsburgs or ancient Rome? This point appears not to have come before the American courts. Of possible bearing on this point is the fact that during the recent World War the United States rejected a request that it mint Maria Theresa silver dollars dated 1780 for use in Ethiopia, even though a supply of those coins would have assisted in the prosecution of the war.

In the case of the privately-minted sovereigns referred to at the beginning of this article we noted that the British Government holds that sovereigns still possess legal tender in the United Kingdom. The corresponding status of United States gold coins in the United States is not clear. The Act of May 12, 1933 as amended by the Joint Resolution of June 5, 1933, *inter alia* provides that U. S. gold coins, unless "below the standard weight and limit of tolerance provided by law for the single piece," shall be legal tender for all debts, public and private. However, since all gold coins not of recognized special value to collectors of rare and unusual coins were in 1933 required to be delivered to the government, the legal tender of gold coins is obscure.

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Ups and Downs of the London Stk. Exchange

sented by a corresponding increase of her floating external liabilities. Moreover, the evidence of an increase of the gold reserve would create a false feeling of security and prosperity, and would therefore stimulate both wages demands and the Stock Exchange boom.

The authorities are fully aware of the undesirability of such a boom. For one thing, the fact that many people are making money in a rising market would increase the difficulty of resisting excessive wages claims. Moreover, should the rise go too far the position would become vulnerable, and a recession would result in a spectacular Stock Exchange slump, which would not help matters.

There is, however, another side. Owing to the large number of small investors a high level of Stock Exchange prices would create widespread vested interests against a return of the Socialist Government. It is assumed that a change of government would cause a slump, and this would inflict losses to precisely that class which consititutes the "floating vote." And since it is the attitude of the million or two middle-class floating voters that swings the balance, this consideration may influence the result of the next general election to a considerable degree.

What is more, should the Socialists return to office, and should they want to nationalize additional industries, they would find this costly as a result of high Stock Exchange prices. During 1945-50 they were able to acquire industry after industry at bargain prices, because equities were on the whole undervalued, and compensation to dispossessed stockholders was paid on the basis of Stock Exchange prices. A high level of Stock Exchange quotations would not prevent further nationalizations, but stockholders would receive more adequate compensation.

The trend on the London Stock Exchange is influenced to a large degree by Wall Street. It is more than mere coincidence that the change in the second week of February took place almost at the same time as the slight setback in Wall Street prices. The link is largely psychological, for the extent to which British and American investors, arbitragers, and speculators operate in each other's market is now negligible. But any upward or downward movement in Wall Street is considered in London as an indication — far better than any public opinion survey — of American opinion about the likelihood of a business recession. And this factor, after all, overshadows every other.

The State of Trade and Industry

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

Total industrial production was somewhat higher in the period ended on Wednesday of last week. It continued, however, to be about 7% below the level of the like week a year ago. New claims for unemployment insurance it was reported, dipped for the fourth consecutive week, while continued claims continued to rise. A slight increase in the order level was noted the past week with buyers still pressing for price concessions.

Indications point to some evidence of a leveling off in unemployment, according to a government report. The number of workers getting state unemployment compensation declined to 2,119,900 in the week ended Feb. 6, the report disclosed. This was a dip of 8,200 from the preceding week—the first decrease since mid-November. The total, however, was almost double the level prevailing when the recent rise started several months ago.

In the week ended Feb. 13, meanwhile, new claims for jobless pay declined for the fifth straight week. They dropped to 318,700, off 45,700 from the preceding week and 150,178 less than in the week ended Jan. 9. But new claims in the latest period were 88% above the like 1953 week.

Business failures rose 7% in January to 867, the highest toll for any month since May, 1950. Casualties were more numerous than in any other January in the past 12 years.

Contrasting with the increase in the number of failures, their liabilities dwindled 32%, falling to $29,592,000, the lowest volume since this past August. The downward trend was occasioned by a decline among failures involving liabilities of $100,000 or more; these larger failures were the lowest in the last half-year. On the other hand, casualties involving smaller amounts increased from a month ago.

The annual rate of failures in relation to the number of operating concerns, as reflected in "Dun's Failure Index" remained steady at the December level, 37 casualties for each 10,000 businesses listed in the Dun & Bradstreet Reference Book.

This rate was up considerably from the 26 a year ago, reaching a postwar high for the month of January.

All of the increase in mortality between December and January was concentrated in retail trade where the toll climbed to the highest level since mid-1942. Casualties were heavier in all retail lines except food and drugs. The upturn was particularly sharp among apparel stores where more concerns succumbed than in any month since early 1950.

Failures rose in January in five geographic regions. The Middle Atlantic toll reached a postwar peak, while casualties in the South Atlantic region climbed to the highest level since 1950. All areas except New England reported more January failures than in the two preceding years.

The steel market gives no hint that the nation's economy is going to fall flat on its face, "The Iron Age," national metalworking weekly, states this week. Quite the contrary it lends solid support to the "rolling adjustment" theory of the Eisenhower Administration.

Steelmaking operations have held a steady pace within the narrow range of 74 to 75.5% of rated capacity since the first of the year. And the industry is expected to hold that pace—possibly even gain slightly—during the next few months, this trade weekly notes.

Readjustment in the steel market started as long ago as last May when a few customers started to correct heavy inventories. It soon became apparent that the "correction" was to become industry-wide. Then the manufacturing climate cooled a bit, and steel order cutbacks became deeper and lasted longer than some had expected, continues this trade journal. Now the big order backlogs of last year have just about melted away and any decline in new business would have to show up in the production rate very quickly. Yet a check of the all-important rate of new orders gives no sign of further decline in steel production. Current bookings of most firms are higher than they have been for the past two or three months, it reports.

Individual steel orders are smaller to-day than they were a year ago, reflecting customers' desire to hold inventories in check. This holds true at both mill and warehouse levels. In some cases warehouses are urging users to buy small quantities in the hope that they can increase their share of business, declares "The Iron Age."

Competition is the strongest factor in the market today. And price and service are the key words in steel selling. Both mills and warehouses are going all-out to give the customer what he wants when he wants it.

Although steelmakers have heard some talk of a spring upturn in auto production, they are not counting on much increase in buying from their No. 1 customer. They feel that some of the recent upturn in auto buying is a strike hedge, and not geared to production, citing scarcity of warehouse space in Detroit as evidence that some firms are holding "protective stocks" as well as regular inventory, states this trade authority.

Even a short strike could change the market picture in a hurry. One of the first things it would do would be to wipe out price concessions, says "The Iron Age."

A bright turn in nation-wide new car sales which could ease the industry's soaring dealer stocks was reported on Friday last, by "Ward's Automotive Reports." Domestic dealer inventories on Feb. 10 climbed 5% above the Jan. 31 record high.

"Ward's" said Feb. 1-10 new car sales by domestic dealers started the month off at a daily rate above that in the preceding month's highest 10-day selling period, a feat not recorded since before last October, adding that a 20% hike in Plymouth output is on tap in two weeks.

This bright turn in showroom traffic, if continued, could shave stocks below the Jan. 31 peak level of more than 600,000

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Observations . . .

By A. WILFRED MAY

Your Investing Difficulties

Two investing books have come to hand which are particularly interesting because, with a simple approach, they clearly highlight some of the more important inherent nettlesome difficulties.


A. Wilfred May

The first of these we will consider is a compact little volume **STOCK MARKET PROFIT WITHOUT FORECASTING, By Edgar S. Genstein,** (86 pp. Investment Research Press, 45 University Court, South Orange, N. J., $3.50).

Like much writing by sophisticated observers of the investment scene, this book is particularly strong in de-bunking the flaws in existing techniques and the foibles in investor behavior, while being relatively deficient in coming through with a solution by way of affirmative constructive programming.

And the author does not avoid the anomaly of first showing the impossibility of successful forecasting, and then actually advocating a technique which itself importantly embodies elements of forecasting.

Mr. Genstein contends that over any 10-year period, about 55% of all variations in stock prices are determined by dividends, with the balance resulting from optimism and pessimism. To this he ties his finding that there has been a fairly regular correlation between prices and the long-term trend in dividends.

Getting on the Formula Technique

On this premise he arrives at a *formula plan,* to escape to an ordered investment policy from the prevalent pitfalls and imponderables.

"Normal value" is defined as the current annual rate of dividend payments, multiplied by the normal ratio of prices to dividends. That normal ratio is derived by dividing average prices for the latest 10 years by average dividends paid during the same period. Deviation of market prices from such normal value should, he maintains, determine the investment position of a fund—that is, the division of assets between stocks and bonds or dollars.

When a stock gets too far above that "normal" yield, it is a sale; when too far below, a buy. He works with a variable ratio; for instance, when the price is 1½ times his "normal," only 10% is held, when 67% of normal, the holding is increased to 90%.

The author believes he has discovered that not only is there a long-term correlation between prices and dividends which is statistically significant, but also that deviations of market prices from this definition of normal value have been of the same order of magnitude at major tops and bottoms in the stock market.

Limiting Factors

While these techniques are interesting and important, two main fallacies, in operating on these theories centered on dividend-yield in present-day markets, occur to us. In the first place there is the impact of supply-and-demand—that is, the *overall* demand for common stocks (secularly enhanced by the growing and widening legitimacy of the equity share); and second, the growing popularity of a *particular kind* of common stock, that is for the Dow-Jones Blue Chips, other blue chips and pale blue chips, growth stocks—all these being evaluated differently from the many much higher-yielding issues, not glamorous or otherwise popular, but value-packed. Will the market dichotomy in the yield between the Blue Chips and non-Blue Chips widen or narrow?

These pragmatic factors seem to us to undermine the usefulness of dividend-yield for market-timing; although we do not, of course, contradict the complete propriety of basing appraisal on the estimation of **long-term** return. It is unfair or irrelevant of us to inquire what the author's attitude was toward the 1- and 2%-

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Current Economic Situation Demands Careful Watching

By WINFIELD W. RIEFLER*
Assistant to the Chairman
Board of Governors of the Federal Reserve System

Federal Reserve economist, contending business reaction to date has been sharper than revealed in the Economic Report, points out Federal Reserve Board Index of Production has probably declined 10% since last July, or as much as the full decline in the 1948-49 reaction. Recounts Federal Reserve actions to meet situation, which have produced lower interest rates. Sees ready availability of funds in the capital markets.

In the three weeks that have passed since the presentation of the Economic Report, additional evidence has come to hand on the nature and extent of the current reaction in economic activity. On the whole, this evidence tends to confirm rather than modify the diagnosis there presented that "the contraction since last June or July has thus far been largely in the nature of an inventory adjustment." It has also been affected, of course, by the decline in defense outlays.

Winfield W. Riefler

Final demand at retail has held up remarkably well in the face of the decline in employment. That decline in employment, moreover, has been confined for the most part to manufacturing industry in response to a decline in commodity output. As a result, a sizable absorption of excessive inventories is being effected. Inventories as a whole, however, are still higher than a year ago.

Although information now becoming available indicates that the reaction to date has been sharper than was known when the Economic Report was in preparation, it does not seem to have shaken the general expectation of businessmen that it will be short-lived. This is suggested by the continued small response, both in the markets for primary commodities and for securities, to the declines in output that have already taken place.

Recent news, of course, has not been uniformly on the side of decline. Since the Economic Report was prepared there has been further confirmation of the view there expressed that increased outlays by state and municipal authorities would help bulwark the economy this year. The outlook for the crucial construction industry has also firmed in recent weeks. As a result, it does not now appear unreasonable to look for another high year in construction activity.

Against this view must be set the fact that the Federal Reserve Board Index of Production has now probably declined about 10% since last July, or by a proportion equal to the full decline in the 1948-1949 reaction. While this decline does not change the diagnosis that the current reaction reflects primarily an unbalanced inventory situation, it raises the possibility that it may in itself set forces in motion that will spread more widely over the economy. It is impossible to evaluate this possibility at the present time. It is important to remember that the reaction in 1949 was exceptionally mild. Activity in durable goods lines recovered quickly under the stimulus of pent-up demands following the war. In my personal judgment, the quicker unbalanced inventories are adjusted the better, provided general consumer expectations and business confidence are not disturbed. It is clear, however, as the Council of Economic Advisers states, that the economic situation will demand careful watching during the next 6 to 9 months.

Federal Reserve Indicated Policies

Whatever the course of the contraction, whether it proves mainly self-correcting as in 1949, or more troublesome, it would be difficult to envision a constructive outcome in the absence of appropriate monetary and credit policies. In this case, the indicated policies were initiated early, earlier in fact than has been customary in the past. As early as last May, the Federal Open Market Committee began operating to ease pressures on bank reserves, not primarily because it foresaw at that time a recession in the making but because of the sudden appearance of more tension in the financial markets than it considered appropriate. This policy was further developed in June, while in July the Federal Reserve Board relaxed the reserve requirements of member banks. The effect of these two actions combined was to increase reserve funds available to member banks by over $2 billion and to change the tone of the money markets from one of restraint to one of ease. As the economic outlook shifted in subsequent months, the Federal Open Market Committee operated again in September and October and again in December to maintain and accentuate this ease by providing in advance the reserve funds usually required to meet seasonal drains toward the year end. The funds released by the reversal of these seasonal drains in January have in turn been absorbed by the Federal Open Market Committee. During the last two weeks all of the Federal Reserve Banks have reduced their discount rates.

The financial markets have responded to these moves. For the member banks as a whole, excess reserves for some time have been larger than their borrowing at the reserve banks. This has induced an easier tone in the money markets and has been reflected in lowering interest rates on new borrowing and lowering yields on outstanding issues. The mortgage market is active and seeking borrowers. Corporate borrowers, both those of the highest quality and those of less well known standing, can find a ready market at favorable rates. In spite of a very large increase in their needs for funds, states and municipalities can now borrow on the average for less than at any time since 1952.

At the time these actions were initiated by the Federal Reserve, particularly those in the summer and early autumn, they were based necessarily on a reasoned judgment of the general nature of coming economic developments. In assessing the role of monetary policy in relation to economic fluctuations in a free economy, it is important to keep in mind two facts, first, that monetary policy, however appropriately conceived and executed, cannot guarantee economic stability at high levels of employment, and second, that the achievement of such stability without appropriate monetary policy is probably impossible under modern conditions.

What Can Monetary Policy Do?

Monetary policy can do little to slow down an adjustment of unbalanced inventories once the adjustment is under way, other than to remove unavailability of credit as a cause for distress inventory liquidation. It can and should, of course, operate to diminish the incentive to overaccumulate inventories in the upswing of the cycle. One of the reasons for confidence at the present time that inventory imbalances may not be too serious is that the recent boom was characterized by price stability and that there was little or no incentive during the upswing to acquire inventories in anticipation of price advances.

On the other hand, monetary policy can go far during a contraction to create a situation where loanable funds will be available to credit-worthy potential borrowers at interest rates and on terms more favorable than are likely to prevail at other times. In an economy characterized by open freely functioning markets, dynamic growth, high income, and widespread diffusion of purchasing power in the form of liquid assets, this should help to speed up and to accelerate investment, particularly long-term investment. The fact that state and municipal expenditures and also construction expenditures now projected for 1954 are currently firm in spite of the current contraction of production is in part a direct response to the readier availability of funds in the capital markets.

*Remarks of Dr. Riefler before the Joint Committee on the Economic Report, Washington, D. C., Feb. 16, 1954.

Illinois Turnpike Issue to Be Placed by Chicago Bankers

CHICAGO, Ill. — Evan Howell, Chairman, The Illinois State Toll Highway Commission, announced that the Commission, by resolution, adopted Friday, February 19, chose Glore, Forgan & Co., manager, and Halsey, Stuart & Co. Inc., co-manager to submit a proposal for its bonds when they are ready for sale. It is expected marketing of securities will be accomplished through an investment banking group to be formed by Glore, Forgan & Co. and Halsey, Stuart & Co. Inc.

McGee to Address Municipal Women

Cushman McGee of R. W. Pressprich & Co., will be guest speaker at a meeting of The Municipal Bondwomen's Club of New York at the Chemical Bank & Trust Company, 30 Broad Street, New York City, Thursday, February 25 at 5:30 p.m. Mr. McGee will address the group, in its fourth meeting of the year, on "Public Housing in New York." Guests are invited.

R. J. Southwell Opens

R. J. Southwell is engaging in a securities business from offices at 50 Broad Street, New York City.

Equities Investment Program of New York State Savings Banks

By J. WILBUR LEWIS*
President, Institutional Investors Mutual Fund, Inc.
President, Union Dime Savings Bank, New York

Mr. Lewis discusses the functions of the Institutional Investors Mutual Fund, set up by New York State savings banks as a means of investing in equity securities. Points out how this organization minimizes risks in investments, and permits exercise of expert judgment in selection of securities and timing of their purchase. Reveals Fund earned 5.19% on book value of its securities in second half of 1953. Resources of fund now exceed $6 million. List of common stocks held by the Fund at the end of 1953 given.

The New York State Legislature took a historic step in 1952 when it authorized mutual savings banks to invest in common stocks for the first time in their long history.

J. Wilbur Lewis

This significant action was taken by the Legislature for a number of reasons of which I shall mention two.

First, mutual savings banks are thereby enabled to take advantage of the higher yields offered by equities. Representative common stocks give an average yield of over 5% today. This yield advantage is particularly important to savings banks that pay the Federal income tax, since dividend income received by corporations is entitled to an 85% credit. Hence, when the corporate income tax rate is 52%, as at present, dividend income is subject to a net tax of only 7.8% for such banks.

Moreover, a joint group of Congressional and Treasury tax experts have proposed that the inter-corporate dividend tax be abolished, as part of the pending comprehensive revision of the Internal Revenue Code. Adoption of this proposal, which is sound and equitable, would make dividend income entirely tax free to corporations, and therefore like income from tax-exempt obligations for savings banks which pay the Federal income tax.

Secondly, with the great industrial growth of America there have emerged many strong corporations whose shares possess fundamental investment merit, and give savings banks an opportunity to provide needed equity capital to industry.

As a means of implementing investment in common stocks, the Legislature included in the law authorizing investment in equities, the authority to invest in shares of a mutual fund to be owned exclusively by mutual savings banks in this state. Such a fund could apply tested techniques for equity investing on behalf of all participating savings banks. The Institutional Investors Mutual Fund, Inc. was set up under this legislative authority to provide a medium through which the mutual savings banks of the state could join together to solve the problems that arise in equity investment, in a way that is particularly designed to meet the objectives and the needs of savings banks.

Risks of Equity Investment

Mutual savings banks have always been among the most conservative of America's financial institutions. We have consistently placed safety first among our investment objectives. Through the years, and under changing economic conditions, this policy has proved amply justified.

The grant of authority to invest in common stocks involves no deviation from our traditional investment policy. The Legislature granted us the authority to invest in common stocks to a limited extent because it was convinced that we would use this power with the utmost care and circumspection, employing every available means to minimize the risks incurred while benefiting from the higher rate of return that equities offer.

To minimize risk, the first essential is to understand the nature of the risks incurred.

Investment in common stock involves greater risk than investment in the mortgages and high-grade bonds that constitute the two staple outlets for savings bank funds because stock represents ownership, whereas mortgages and bonds constitute instruments of debt. The mortgagee or bond holder is a creditor, entitled by contract to receive interest and principal when they become due. The common stockholder, by contrast, is entitled only to receive dividends out of the profits of the enterprise, if and when declared by the board of directors. Common stockholders thus do not possess the senior contractual position, and right to a fixed rate of return, that the mortgagee and bond holder have.

Moreover, because common stockholders, as owners, are entitled to benefit from all the profits of the enterprise, after payment of expenses, interest and preferred dividends, stock prices will rise sharply in periods of prosperity when earnings are large. By the same token, however, they can decline just as sharply when a business recession, or unfavorable developments affecting a particular company, produce a decline in profits and dividends.

There is no ceiling on common stock prices when favorable conditions produce larger earnings and permit the payment of increasing dividends. But there is no floor under common stock prices when unfavorable developments cause shrinking profits and a reduction or omission of dividend payments.

How I. I. M. F. Minimizes Risk

The portfolio policy of Institutional Investors Mutual Fund has been designed to assist savings banks to secure for their depositors the benefits of investment in common stocks, while minimizing the risks incurred.

First, the whole field of equity investment is constantly combed to select from eligible issues a list of common stocks that meet the exacting standards of savings bank investment. The investment adviser of I. I. M. F., the Savings Banks Trust Company, recommended a master list of issues selected by its staff of trained security analysts with long experience in common stock analysis from the institutional standpoint. This master list was then passed upon by our Executive Committee and by the Board of Directors

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*An address by Mr. Lewis before the Savings Banks Officers Forum, Group Four, New York City, Jan. 19, 1954.

Prospects of Plant and Equipment Investment

By DEXTER M. KEEZER*

Vice-President and Director, Department of Economics, McGraw-Hill Publishing Company, Inc.

Basing his views on data collected by government and private agencies, Dr. Keezer says it appears a substantial increase in total expenditures for plant and equipment in the commercial category is planned for 1954, but the actual increase in outlays will be quite small. Holds there will be slowing up in the growth of industrial capacity in the years immediately ahead, and that capital outlays will be made mainly for modernization purposes.

I understand that it will be about another month before the results of the comprehensive survey of business plans for investment during the entire year 1954, which is conducted jointly by the Commerce Department and the Securities and Exchange Commission, are available. In the meantime, we have available the results of the regular Commerce-SEC quarterly survey of plans for capital outlays by American business in the first quarter of this year. With these results and the other reports I have mentioned it is possible, I believe, to patch together a tolerably good picture of where business plans for the purchase of new industrial plant and equipment in 1954 now stand. I find that my assignment also calls for me to cover plans for capital investment by commercial enterprises. I am less well equipped to deal with this aspect of the subject because our McGraw-Hill surveys do not cover commercial establishments, as do the Commerce-SEC surveys.

Dexter M. Keezer

As matters stand right now, American business as a whole is planning to spend more for new plant and equipment in the first quarter of 1954 than in any first quarter on record. (In American business as a whole I include manufacturing, mining, transportation, public utilities and commercial establishments.) The planned annual rate of expenditure—about $28 billion— was exceeded slightly in the last two quarters of 1953, but there has never been a higher first quarter since the Commerce Department and the SEC started to collect the figures—in 1946.

For the balance of the year American business is now planning to continue the purchase of capital equipment at a very high rate, but a rate which will decline moderately as the year advances. If capital investment were carried out for the balance of the year as at present planned the expenditure would be from $1 billion to $1.5 billion less than the all-time record-breaking total of $27.8 billion attained in 1953. That would be higher than in 1952 or any other year except 1953. I shall discuss some of the possibilities that present plans will be expanded or contracted after explaining briefly how this figure was arrived at.

Our McGraw-Hill survey as made late last fall and considerably rechecked since, indicates that manufacturing companies plan to spend about 8% less for plant and equipment in 1954 than they spent in 1953.

In some of the most important sectors of manufacturing, we have rather complete evidence that the plans reported last fall are still valid. For example, the survey published in January by the American Iron and Steel Institute indicates virtually the same level of expenditures for 1954 as did our earlier survey. The plans of the automobile industry, as shown in our survey, have since been confirmed by the public announcements of leading manufacturers. We have been able to recheck, through press announcements or personal contract a considerable number of the large firms in the oil, chemical and machinery industries. They report little or no change since our last survey. So taking the survey figure of 8% decline as a reasonable one, we arrive at 1954 capital expenditures in manufacturing of $11.4 billion, as opposed to $12.4 billion in 1953.

Our information on mining industries is less complete, but our survey last fall indicated little change from 1953. For electric utilities, "Electrical World's" estimate of last October has now been validated by a survey covering 96% of the private electric power industry, in terms of capacity. This survey, made in December, 1953, shows 1954 expenditures planned at about the same level as in 1953. The latest data available from the American Gas Association is still based on a survey made several months ago. It indicates a slight decline in 1954 expenditures. On this basis, total utility expenditures would be $4.3 billion in 1954.

We did not survey transportation companies in October. But what current checking we have been able to do suggests that this group — which includes railroads, airlines and trucking—will spend about 10% less, or $2.45 billion, in 1954.

As I have indicated, expenditures in the "commercial and miscellaneous" category must be based chiefly on data collected by others. We have made no comprehensive survey of this group. However, the McGraw-Hill magazine "Business Week" did find by checking in November that eight cities had more than one million square feet of rental office space under construction, compared with three cities having that much office construction underway a year before. These figures do not include construction of loft space or owner-occupied office buildings, both of which were also reported on the increase. Contract awards for large commercial construction projects, as reported by the McGraw-Hill magazine "Engineering News-Record" have been running more than 20% above a year ago in recent months.

Considering these facts, and other data collected by government and private agencies, it appears that a substantial increase in total expenditures in the commercial category is planned for 1954. But since I have little direct knowledge in this field, I have taken the cautious view that the increase will be quite small—from $7.35 billion in 1953 to $7½ billion this year.

Here is a table which summarizes the plans and other indications of business capital investment in 1954 which I have mentioned:

BUSINESS CAPITAL EXPENDITURES
(Billions of Dollars)

	†Estimated 1953	‡Planned 1954
Manufact'g and mining	$13.00	$12.25
Electric and gas utilities	4.50	4.30
Transportation	2.70	2.45
Commercial & misc. (est.)	7.35	7.50
	$27.55	$26.50

†Latest quarterly survey, Department of Commerce and SEC.

‡McGraw-Hill, "Electrical World" and American Gas Association surveys.

If the table correctly portrays the situation—and I am confident it comes pretty close to it—business as a whole is planning to invest only about 5% less in new plant and equipment in 1954 than it invested in the all-time record-breaking year 1953. As the table indicates, most of the decline is concentrated in manufacturing.

The only breakdown of plans for 1954 between the various branches of manufacturing which is now available comes from the survey which we made last fall. Here are the detailed figures for manufacturing.

EXPENDITURES FOR NEW PLANT AND EQUIPMENT
(Millions of Dollars)

Industry	Est. 1953	Plans 1954	Increase or Decrease
Steel	$1,410	$1,070	—24%
Automobiles	959	1,105	+15
Machinery	898	804	—10
Elec. machinery	438	484	+10
Transport. equip.	210	191	— 9
Food	865	865	0
Petroleum	2,778	2,709	— 2
Chemicals	1,650	1,413	—14
Textiles	295	259	—12
*Other manufact'g	2,920	2,549	—13
Total manufact'g	12,423	11,449	— 8

*Includes non-ferrous metals (refining and fabricating), building materials, containers, paper, rubber, furniture and apparel.

Source: 1953, Department of Commerce; 1954, McGraw-Hill survey.

The decline in manufacturers' investment plans is related primarily to the completion of defense expansion programs. We have found no evidence of extensive cutbacks in anticipation of business recession.

Large companies, with long-range modernization and expansion programs, provide the main support for capital spending. Smaller companies continue to cut back on investment in plant and equipment, as they did in 1953. Of the total of some hundreds of manufacturing companies whose 1954 investment plans we surveyed last fall, only 40% were planning to maintain or raise the level of their expenditures this year. But the investment planned by this minority of companies bulked large enough to keep the total expenditure planned close to the 1953 level.

Ability to produce new products appears to be the principal driving force behind the plans of manufacturing companies to maintain a high level of capital investment in 1954. Large companies particularly are planning to diversify their manufacturing facilities, either by bringing out new items, or by crossing over into other industrial fields with attractive growth prospects.

The question arises at once, "How reliable are these surveys of business plans for investment in new plant and equipment as a forecast of what will actually happen?" The correct answer, as I see it, is that we do not yet know. On the record, during the period since 1948 that we have been making these surveys they look like quite a valuable device for forecasting capital investment by business.

In every year except 1950 actual business investment in new plant and equipment has come within 6% of the plans indicated by the McGraw-Hill survey. And in a couple of years, of which it appears 1953 will prove to be one, actual expenditures have been within 1% of what the survey indicated they would be. In 1950 the Korean war started a new rush of capital investment which made actual expenditures that year 20% higher than the survey at the beginning of the year indicated they would be.

We do not conclude from this experience, however, that we have a sure-fire forecasting instrument. We recognize that:

The years during which the surveys have been conducted have, with one brief interlude, been boom years and years when there has been specially heavy demand for capital goods.

The survey of plans have never been through the test of a severe recession or depression.

The investment performance of individual industries has sometimes missed the mark indicated by the survey of plans considerably further than the investment performance for industry as a whole. We haven't had enough experience to know whether we can confidently expect the errors in individual industries to cancel out as well as they have thus far.

Until the surveys are tested by a lot more experience we are reserving judgment on their forecasting value. In the meantime, we claim nothing for them in that line. Instead we heavily emphasize the proposition that our survey reports potential capital investment and is no promise of what is actually going to happen.

It is my personal impression that our surveys have substantially more forecasting value than a similar survey would have had ten or fifteen years ago. This impression is based largely on the great increase in long-range planning of capital investment by business. I am sure that such planning increases the stability and hence the forecasting value of the plans involved. For several years we have asked the companies which cooperate in our surveys how far ahead they plan their capital expenditures. Last year the survey showed that nearly two-thirds of the respondent companies plan their capital investment at least two years ahead and 81% do some forward planning. This 81% was an increase from 65% a year earlier. The companies cooperating in our surveys are, for the most part, large companies which, I am sure, plan their expenditures further ahead than most small companies. However,

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*A statement by Dr. Keezer to the Joint Committee on the Economic Report, Washington, D. C., Feb. 8, 1954.

Dealer-Broker Investment Recommendations & Literature

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

Bank Stock Analyzer—Comparative tabulation as of December 31—Geyer & Co., Incorporated, 63 Wall Street, New York 5, N. Y.

Interstate Banking for Interstate Commerce—Joseph Manfrini —(reprinted from the Analysts Journal) Joseph Manfrini, Walston & Co., 265 Montgomery Street, San Francisco 4, Calif.

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

Motion Picture Exhibition Industry—An analysis with particular emphasis on **Stanley Warner Corporation** (producer and distributor of **Cinerama**)—W. E. Hutton & Co., 14 Wall Street, New York 5, N. Y.

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

Ohio Law as Applied to Municipal Bonds and Investment Funds—Concise but comprehensive summary—Hayden, Miller & Co., Union Commerce Building, Cleveland 14, Ohio.

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.

United States Investors' Stake in Canada—An analysis of the trend of ownership of Canadian securities in the United States in the postwar period by James R. Clarke—Dominion Securities Corporation, 40 Exchange Place, New York 5, New York.

* * * *

Allegheny Ludlum Steel Corp.—Memorandum—Walston & Co., 35 Wall Street, New York 5, N. Y.

Argus Cameras, Inc. — Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y. Also available is a memorandum on **Byron Jackson.**

Atlantic Refining Co.—Analysis—J. A. Hogle & Co., 507 West Sixth Street, Los Angeles 14, Calif. Also available are analyses of **Federated Department Stores** and **International Minerals & Chemical Corp.**

Beckman Instruments, Inc.—Bulletin—Bregman, Cummings & Co., 100 Broadway, New York 5, N. Y.

Bond Stores, Inc. — Analysis — Parrish & Co., 1421 Chestnut Street, Philadelphia 2, Pa.

British Columbia Power Corporation, Ltd. — Review — James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, and Royal Bank Building, Toronto, Canada.

California School District Bonds — Analysis — Kaiser & Co., Russ Building, San Francisco 4, Calif.

Campbell-Taggart Associated Bakeries, Inc.—Bulletin—Sanders & Newsom, 1309 Main Street, Dallas, 1, Tex.

Canadian Delhi Petroleum Limited—Analysis—Kippen & Company, Inc., 607 St. James Street, West, Montreal, Que., Canada. Also available is an analysis of **Trans-Canada Pipe Lines, Ltd.**

Canadian Delhi Petroleum Ltd. — Memorandum — Fridley & Hess, First National Bank Building, Houston 2, Tex. Also available is a memorandum on **Trans-Canada Pipe Lines Ltd.**

Central Indiana Gas Company—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Cluett, Peabody & Co.—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y. Also available is a memorandum on **Texas Eastern Transmission Corp.**

Crown Cork & Seal — Memorandum — Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

Family Finance Co.—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Firestone Tire & Rubber Co.—Memorandum—Shaskan & Co., 40 Exchange Place, New York 5, N. Y.

Hooker Electrochemical Company—Annual report, including 10-year summary—Secretary, Hooker Electrochemical Company, 31 Forty-seventh Street, Niagara Falls, N. Y.

Long Bell Lumber Company—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is a review of the **Oil Industry.**

Missouri Pacific—Discussion—Vilas & Hickey, 49 Wall Street, New York 5, N. Y. Also available is an analysis of **Pittsburgh & West Virginia Railway.**

National Life and Accident Insurance Company—Analysis—Equitable Securities Corporation, 322 Union Street, Nashville 3, Tenn.

Noranda Oil Corp. — Progress report — B. S. Lichtenstein & Company, 99 Wall Street, New York 5, N. Y.

Nuclear Instrument & Chemical Corp. — Analysis — Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also available in the current issue of "Business and Financial Digest" are analyses of **Chain Belt Company** and **Hearst Consolidated Publications, Inc.**

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.

Smith Engineering Works — Memorandum — The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

Tri Continental Corp. — Memorandum — Emanuel, Deetjen & Co., 120 Broadway, New York 5, N. Y.

Union Carbide & Carbon Corporation—1953 annual report, with an illustrated booklet describing the corporation's products—alloys, carbons, gases, chemicals, and plastics—Secretary, Union Carbide and Carbon Corporation, 30 East 42nd Street, New York 17, N. Y.

United Merchants & Manufacturers, Inc.—Bulletin—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

NSTA Notes

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Investment Traders Association of Philadelphia is reminding all those planning to attend the 30th Annual Mid-Winter Dinner at the Benjamin Franklin Hotel, Feb. 26, that there will be a luncheon and reception for out-of-town guests at 12 noon at the Hotel Warwick preceding the dinner.

COMING EVENTS

In Investment Field

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 19th Annual Meeting.

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.

William M. Allen Opens

(Special to THE FINANCIAL CHRONICLE)

LA JOLLA, Calif.—Willis M. Allen is engaging in a securities business from offices at 1001 Prospect Street in partnership with Cecil G. Gray, William R. Mackenzie, Alice A. Gunsaulus, and Elizabeth B. Beacock.

With Barrett Herrick

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Carlton H. Green is now with Barrett Herrick & Co., Inc., 418 Locust Street.

E. E. Henkle Adds

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—Jefferson D. Martin has been added to the staff of E. E. Henkle Investment Company, Federal Securities Building.

Justin Jacobs Joins Peter McDermott & Co.

Justin Jacobs has become associated with Peter P. McDermott & Co., 44 Wall Street, New York City, members of the New York Stock Exchange. Mr. Jacobs was formerly associated with Lober Brothers, Dreyfus & Co. and J. F. Reilly & Co., Inc. He is a member of the New York Society of Security Analysts; Accountants Club of America; Association of Customers' Brokers; and the New York State Society of Certified Public Accountants.

Justin Jacobs

Cuniff to Be Partner in Brinton

Melvin M. Cuniff, member of the New York Stock Exchange, on March 1 will be admitted to partnership in Brinton & Co., 1 Wall Street, New York City, members of the New York Stock Exchange. Mr. Cuniff is a partner in Francis I. du Pont & Co.

Halsey, Stuart Group Offer Equip. Trust Ctfs.

Halsey, Stuart & Co. Inc. and associates on Feb. 19 offered $6,000,000 Illinois Central RR. 2½% equipment trust certificates, series 38, maturing semi-annually Sept. 1, 1954 to March 1, 1969, inclusive. The certificates, priced to yield from 1.25% to 2.725%, according to maturity.

The issue is to be secured by the following new standard-gauge railroad equipment estimated to cost $8,402,760: two diesel-electric passenger locomotives, and 48 diesel-electric road switching locomotives. Issuance of the certificates is subject to the authorization of the Interstate Commerce Commission.

Associated with Halsey, Stuart in the offering are: R. W. Pressprich & Co.; L. F. Rothschild & Co.; Baxter, Williams & Co.; Freeman & Co.; Gregory & Son, Inc.; Ira Haupt & Co.: Hayden, Miller & Co.; Wm. E. Pollock & Co., Inc.; Julien Collins & Co.; McMaster Hutchinson & Co.

Wire Between Wright & N. Y. Hanseatic Corp.

A direct telephone wire has been installed between New York Hanseatic Corporation, 120 Broadway, New York City, and Arthur L. Wright & Co., Inc., 225 South 15th Street, Philadelphia, Pa.

Joins McDonald-Moore

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Walter J. Posey has become connected with McDonald-Moore & Co., Penobscot Building, members of the Detroit and Midwest Stock Exchanges.

Joins Josephthal Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Robert L. Polleys has joined the staff of Josephthal & Co. 19 Congress Street.

Kenower, MacArthur Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Jack A. Pomeroy is now with Kenower, MacArthur & Co., Ford Building, members of the Detroit and Midwest Stock Exchanges.

Taxation and Investment In the Business Outlook

By BEARDSLEY RUML*

Director, National Securities and Research Corporation
Former Chairman, Federal Reserve Bank of New York

Pointing out the many fundamental differences in the nation's economy, when compared with 1929-1933, which can check a serious depression, Mr. Ruml discusses possible Federal action in fiscal and monetary areas to support a high level of employment. Says, as raising interest rate cannot effectively check a boom, so, also, easy credit cannot prevent a depression. Holds public works expenditure likewise of little help, but contends lifting exemptions in individual income tax is by far the most powerful anti-depression instrument in the Government's hands. Looks for lower taxation, and concludes Administration will use its full powers to avoid a depression.

Government and Business

My remarks on the economic outlook and on the related subjects of taxation and investment are intended to be non-partisan and non-political. I want to be as objective as I know how to be; I know that you will not agree with some of my statements, but in any case, you now know my intention, and if we do not agree, let it be on matters of substance and not of politics.

Beardsley Ruml

However, let us not make the mistake of thinking that we can dissociate government from business. Government and business have been working together since the time of Queen Elizabeth I and before, in the days of Benjamin Franklin, of Alexander Hamilton and Thomas Jefferson, of Grover Cleveland and William Howard Taft; and more recently with every other President and every other Administration. We may not like the people or the policies of a given government-business relationship, but it is inevitable that these relations should have existed, that they do exist, and that they will continue to exist.

In the present situation, two facts stand out which are of paramount importance. First, that the powers of the Federal Government over the economic life of the people are greater than they ever have been before in peacetime, and second, that the Republican Party does not want to be known as the party of depression, and that it will use the powers of government in its own best judgment to avoid any such historic reputation.

The greater powers of the Federal Government today do not arise from oppressive laws nor as a result of deliberate policy. They arise from technological change, from the evolution of economic institutions, and from the growth of the idea of national responsibility the world over. The greater powers are not the result of sudden change; they find their roots far back in the 19th century.

These greater powers of the Federal Government over the economic life of the people come from many sources. First is the size of the Federal budget, which cut it how you will, remain a formidable economic influence. Second is a much less rigid banking and monetary system which has freed the national government from many private dictates of the past. Third are better systems of communication that can be used to reach more and more people every year; and fourth, there is more technical skill at every level of government, which means that the increasing powers of government will surely be more skillfully and we hope more wisely used.

That the Republican Party should not want to be known as the party of depression is axiomatic. This compelling necessity will transcend any and all ideological rigidities. The powers of the government will be used in a manner believed to be helpful, and if necessary decisive, in maintaining a high level of economic activity and employment. There is no reason to suppose that these powers will or can be used in a manner inconsistent with a democratic, free enterprise system. Such doubts as some may have will relate primarily to the extent, the degree and the timing of appropriate action, and accordingly our uncertainties relate to the extent, the degree and the timing of whatever recession we may experience.

The Economic Outlook

The longer term outlook is easier to appraise than the shorter term — partly because of the longer term, the factor of timing is less important, and partly because no specific incident, favorable or unfavorable, can have as much influence on the position a few years from now as it can on where we may find ourselves in the summer or fall of 1954.

By extending our perspective in time a few years, say to 1960, we are somewhat in the position of one who is asked to give the properties of a triangle with only a few details specified. It is not necessary to see or to feel the triangle, the logic of the form determines the consequences of the relationships.

In looking ahead to the economic situation in the United States there are several factors which, barring a serious crisis in current war and peace prospects, give us the basis for analysis.

For this discussion, I take the date as the calendar year 1960 and the price level approximately what it is today.

The first factor is the size and character of the population. Looking ahead until 1960 we can discuss population with some confidence. The working force and the bulk of the consuming force is already in being. And by 1960, the working force will have grown so that it will be 10% larger than it was three years ago in 1951.

The second factor is productivity per man hour. Do not confuse productivity with production. Productivity is constantly rising as a result of technological research, mechanization and improvement in managerial skill. Productivity rises even at times when production is falling. Based on long-term trends, the increase per year in productivity per man hour is about 2½%. More recent trends indicate a higher figure, and I take 3% per year as a conservative estimate for productivity increase between 1951 and 1960.

The last basic factor is the length of the average working week. Hours worked per week in 1951 were 40.3 and I follow the National Planning Association in taking 39 hours as a reasonable projection for 1960. As for unemployment, I feel that 4% is about as high a figure as would be tolerable—this is the figure which the Committee for Economic Development has used in its Policy Statements.

Gross National Product in 1960

Now putting all these factors together — population, productivity, hours worked per week—and taking the date 1960 and the present price level, we come up with a figure for gross national product for 1960 of $455 billion. This compares with $330 billion in 1951 and with a rate of $364 billion for the last quarter of 1953.

How are we going to use our Gross National Product in 1960? There are many ways. But if you assume—as did the National Planning Association in a comprehensive study last year—that in 1960 the country is going to spend a little more on defense than in 1951, a little more on private plant and equipment, a little more on housing and on State and local government activities, the conclusion follows that by 1960 a tremendous increase in expenditures by consumers will have to take place in order to maintain full employment. Consumer expenditures will have to increase from $208 billion in 1951 to $320 billion in 1960.

The dollar increase in consumer expenditures in 1951 dollars, would be $112 billions.

The percentage increase would be 54%.

The per capita increase in consumption would be 35%.

The per capita increase excluding food and housing would be 50%.

An increase of 50% in per capita consumption outside of food and housing between 1951 and 1960 seems to me to be a very large increase. And yet this increase would appear to be necessary to keep unemployment below 4%.

I must say that other competent students are not disturbed by these figures. They say, "We have done it before and we can do it again." "And besides," they say, "there are no limits to the capacity of the American to consume." My own feeling is that these observations are superficial and that all the ingenuity of American business production and salesmanship and all the best cooperation and use of the powers of the Federal Government will be required to make the economic and cultural change implicit in a 50% increase in per capita consumption. Even so, I believe that this requirement, though large, is not insurmountable, and that after a few shocks and after a few more changes in doctrine, both the economic and cultural patterns will conform to the indicated new level of consumption.

Federal Fiscal Policy

The economic outlook thus described brings us to a consideration of Federal fiscal policies, particularly taxation. We must assume that competitive business enterprise under a profit system will find ways to meet the demands of the markets that will exist or that can be created.

So what about the policies of the Federal Government?

If we look at the possibilities of Federal action in the fiscal and monetary area to support a high level of employment, we can see three.

(1) Central Bank Policy.
(2) Public Works and expenditures.
(3) Taxation.

The Federal Reserve System

The policies of the Federal Reserve System are highly important to the maintenance of economic stability. We can assume that they will be used fully for this purpose. Important as the central bank is, there is reasonable doubt as to just what it can do, or rather just how much it can do. It seems generally agreed that the central bank can be powerful in checking a boom, but recent experience would suggest that raising the interest rate is not enough,—a little bit of what is called "frowning" seems also necessary in controlling the availability of money and credit.

But can the central bank also reverse depression tendencies? Is the "smile" of the central bank as potent as its "frown"? Many observers doubt it and of these I am one. As has been shrewdly said, "You can pull on a piece of string, but you can't push it!"

We want a powerful and wise central bank for the good it can do, but when it comes to massive changes in the economic and cultural pattern, it can be expected only to do its part. It has no panaceas in monetary policy that will decisively protect us against unnecessary recession and unemployment.

Public Works

Public works and public expenditure loom large in the suggested devices for checking a recession. They should be used for what they are worth, but they cannot be expected to be more than a good assist. Public works and public expenditure must meet tests of practical usefulness and efficiency. The public rightfully will not tolerate waste or frivolous objectives in Federal spending for the sake of creating jobs and purchasing power. The result is that careful planning and already accepted objectives, economy and efficiency, will control. The time, energy and imagination going into the planning of public works is all to the good, but as with central bank policy, it can only do so much without subordinating its

Continued on page 36

*An address by Mr. Ruml under the sponsorship of the National Securities and Research Corporation, Seattle, Wash., Feb. 15, 1954.

Supply and Demand for Investment Funds During 1954

By GIRARD L. SPENCER

Partner, Salomon Bros. & Hutzler, New York City
Members, New York Stock Exchange

Mr. Spencer presents statements and tables bearing upon the supply and demand of funds for investment during the current year. Holds figures show there is a considerable surplus of funds seeking long-term investment, but in view of impending Treasury financing and public improvement programs there is little prospect of any lowering of interest rates.

Presented herewith are estimates dealing with the supply of and the demand for long-term investment funds in 1954. As in the past, they have been compiled with the assistance of a small group of investment experts specializing in this field of the investment problem.

Girard L. Spencer

All operations of the United States Treasury, whether for the raising of additional funds or for refunding, have been eliminated.

Table I estimates the total of all new or reacquired long-term funds seeking investment and the demand for their use by private enterprise and public borrowers. Social Security reserves, Treasury trust funds and other Treasury activities, as well as direct investments in real property and funds used for personal loans are excluded.

Table II estimates the net increase in specified investible assets of a selected group of investment institutions and the demand for their employment from private and public sources.

Although it is anticipated that the United States Treasury will borrow a substantial amount of new funds in 1954, the current economic environment and outlook indicate that its cash financing will be designed to compete as little as possible with the requirements of private industry and State and local public activities.

The development that could most seriously alter the conclusions reached in these estimates would be a radical liberalization of the down payments and other terms by government agencies on insured residential housing mortgages. Such action could greatly increase the demand for funds from this source. They would, of course, also be substantially altered if an important recession or a resumption of undesirable inflationary pressure should occur.

In contrast with the past several years, the figures show a considerable surplus of long-term funds seeking investment. When considered together with the announced intention of Treasury and Federal Reserve System officials to plan their programs to encourage continued private investment and local public improvements, they indicate little prospect of any increase and a distinct possibility of a further lowering in the level of interest rates in 1954.

TABLE I

The estimates of the total supply of long-term investment funds, including those repaid and requiring reinvestment, compared with the demand for their use for all purposes from private and public sources, with the exclusions noted.

SUPPLY	
Accumulation of New Long-Term Investment Funds	Billion
Life Insurance Companies	$5.0
Excludes $0.4 billion expected to be invested in real estate or used to provide policy loans.	
Mutual Savings Banks	1.7
Savings and Loan Associations	3.6
Private Pension Funds	1.4
Not funded with insurance companies.	
Public Funds	0.7
Includes only those funds that may be invested at the discretion of the fund managers in other than U. S. Treasury issues or specifically designated State and local securities.	
Fire and Casualty Insurance Companies	0.9
Excludes $0.4 billion expected to be required to be placed by legal or other regulations in U. S. Treasury issues.	
Other Accumulations of Long-Term Funds	6.0
Includes investment funds of individuals, charitable and educational endowments, and trust funds. It consists of increases of $2.0 billion in time deposits in commercial banks, $1.2 billion of investments in tax-exempt securities, $0.8 billion of purchases of mortgages, and $2.0 billion of investments in corporate bonds and shares and foreign securities.	
Total	$19.3
Funds Requiring Reinvestment	
Mortgage Amortizations and Repayments	$12.8
State and Municipal Maturities and Repayments	1.6
Excludes repayments to public funds	
Corporate Maturities and Repayments	2.2
Excludes commercial loan transactions	
Total	$16.6
Total Supply of Funds	$35.9
DEMAND	
Residential Mortgages	$18.2
One- to four-families.	
All Other Mortgages	2.8
Farm, multi-family and commercial, but excluding corporate borrowings included in corporate financing.	
State and Municipal Securities	4.7
Excludes purchases by public funds.	
Corporate Financing	6.9
Foreign Loans	0.6
Includes International Bank, Canadian Issues, Etc.	
Total Demand for Funds	$33.2

Indicated Surplus of Long-Term Investment Funds—$2.7 Billion

TABLE II

Estimates of the net accumulation of funds by a specified group of institutional investors and the demand for their use as stated. The same exclusions apply as in Table I. Common Stock purchases also are not included. Mortgage and security investments expected to be acquired by investors other than those in this specified group are eliminated from the various classifications of uses.

SUPPLY OF FUNDS	Billion
Life Insurance Companies	$4.9
Mutual Savings Banks	1.6
Savings and Loan Associations	3.6
Private Pension Funds	1.1
Public Funds	0.7
Fire and Casualty Insurance Companies	0.6
Total	$12.5
USES	
Real Estate Mortgages	$6.2
Corporate Bonds, Debentures and Preferred Stocks	3.1
State, Municipal and Public Authority Issues	0.9
Foreign Loans, including International Bank, Canadian Issues, Etc.	0.4
Total	$10.6

Indicated Surplus of Institutional Investment Funds—$1.9 Billion

Newton Parkes With Arthur L. Wright Co.

PHILADELPHIA, Pa.—Arthur L. Wright & Co., Inc., 225 South 15th Street, announces that Newton H. Parkes, Jr., has become associated with them as Manager of their corporate trading department. The firm also announced the installation of a direct private wire to New York Hanseatic Corporation, 120 Broadway, New York.

N. H. Parkes, Jr.

Mr. Parkes has been active in the investment securities business since 1924 and prior to joining Arthur L. Wright & Co., Inc., was associated with Bioren & Co. During the war he served three years in the U. S. Coast Guard.

A native of the Germantown section of Philadelphia, Mr. Parkes was educated in Philadelphia schools. He is a member of the Investment Traders Association of Philadelphia.

Denver Merger

Donald L. Patterson has returned to the trading desk of Boettcher and Company, Denver, Colo., after a three weeks' honeymoon at Sun Valley. He and Betty Taylor, also of Boettcher and Company, were married Jan. 30.

With Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Roland A. Hotin is now with Mutual Fund Associates, 444 Montgomery Street. He was previously with Paul C. Rudolph & Co.

Joins H. F. Swift Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Hugh W. Fraser has become associated with Henry F. Swift & Co., 490 California Street. He was previously with Walston, Hoffman & Goodwin.

Advisers Fund Opens

CORONA DEL MAR, Calif.—Advisers Fund Distributors, Inc. has been formed with offices at 1415 Coast Highway to engage in a securities business. Officers are William L. O'Bryon, President; E. L. O'Bryon and John G. Snyder, Vice-Presidents; F. H. O'Bryon, Secretary-Treasurer.

From Washington Ahead of the News

By CARLISLE BARGERON

Senators by and large and a generous portion of our editors are seemingly aghast at the manner in which Senator Langer of North Dakota, has handled the appointment of Earl Warren to be Chief Justice of the United States. The Senator is Chairman of the Senate Judiciary Committee, one of the most powerful Committees of the upper chamber and it was to this Committee that Governor Warren's nomination was sent.

Carlisle Bargeron

After holding the nomination in Committee for several weeks, when nomination to such high office usually receives prompt and more or less perfunctory consideration, the Senator in a huff made public the irresponsible charges against Warren that had been received, without making public the identities of those who had made the charges. It was this that caused fellow Senators and the editors to gasp.

Senator Langer's reaction to this was one of surprise that there could be any criticism, much less shock, to what he had done. Having known the Senator for a long time, although I doubt he knows me, I am convinced that this surprise was genuine. The Senator has been subjected to charges worse than any made against the Chief Justice ever since he has been in public life. He figures it all goes with the game of politics, and in the way in which he has played the game it does. Like Former Mayor Curley of Boston, the Senator seems to thrive on this sort of stuff. If he were free of charges of evil doing it is doubtful if he would know how to campaign.

The Senator's foes thought they had him when he was up for re-election in 1952. They had dug up the fact, and it was widely published in the newspapers, that in a period of three years he had sponsored immigration bills to permit more than a thousand aliens to remain in the country. Under the policy of the Department of Justice of not moving against an alien illegally in the country while legislation is "pending in the Senate," all the Senator had to do was to introduce bills without getting them passed or even getting Committee consideration of them, to stay deportation or to grant citizenship. He did this in the case of more than a thousand aliens, the great bulk of whom were Pakistanians. They would come over in droves on foreign vessels as members of the crew and then jump ship. In the case of the Pakistanians he cooperated with a Pakistanian whom years ago he had succeeded in getting naturalized.

The Department of Justice up until a couple of years ago extended the same courtesy to members of the House who introduced immigration bills but the practice got so raw on that side of the Capitol that the House leaders called upon the Department to pay no attention to the introduction of an immigration bill unless it was receiving serious Committee consideration.

In the campaign, Langer's opponents charged he had even brought Communists into the country. Langer won by a larger majority than he had ever before received. He revelled in the charges and turned them into building him up as a man whose heart beat for the foreign underdog, as one who was befriending the downtrodden people of Europe and Asia. In a state with such a large immigrant stock as North Dakota his pose had a great appeal.

The Senator came to the Senate in 1941 under a cloud. He had been convicted of soliciting money from Federal employees. Granted a new trial by the Circuit Court of Appeals he was acquitted. But the Senate debated for weeks on admitting him to membership.

So you can imagine, after what he has been through and on the kind of stuff he thrives, that he considered the charges against a man who had long been governor of a great State and was now presiding as the Chief Justice of the Supreme Court to be no more than drawing room stuff, polite conversation among polite people. Why, on one occasion since he has been in the Senate, the Washington Government has had more than 20 agents out in North Dakota investigating him.

North Dakota is one of those one party States, the Republican party. So his fight in 1952 was in the primary. After bowling over his opposition in the primary he thumbed his nose at the Republicans and campaigned through the State with Truman.

With the opening of Congress and the Republicans "in power," North Dakota delegations came down to Washington with charges seeking to prevent his being seated. The Republican leaders pondered long and hard. They needed him to insure their bare majority in the Senate, which they have since lost, but the Democrats have not wanted to take over control in mid-term. And to admit him and have him align himself as a Republican they had to let him have the Chairmanship of the Judiciary Committee to which he was entitled under the seniority rule. You can bet your boots that if they should pick up three or four additional seats next November, they would by some hook or crook remove him. Frankly, this is what they should make one of their issues. In the meantime, this man has got a whole political party and to a considerable extent, the Eisenhower Administration in the position of having to know-tow to him.

Join Jamieson Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Jess T. Wolfe and S. Arthur McKay are with Jamieson & Co., Russ Building.

Henry F. Swift Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—James V. Lawyer is with Henry F. Swift & Co., 490 California Street.

Tapping 4,500,000 tons of pig iron a year from twelve giant blast furnaces

The blast furnace is the largest single facility used in the manufacture of steel products. In its seething interior, a mixture of coke and limestone wrests iron from its native ore. Pictured here is one of National Steel's two newest blast furnaces being tapped to send a white-hot stream of molten iron on its way into the steel-making cycle.

These two blast furnaces are important additions to National's facilities, for they have increased production of iron by approximately a million tons a year.

At the plants of National's divisions at Detroit, Weirton and Buffalo there now is a total of 12 blast furnaces, with a combined capacity of 4,500,000 tons of pig iron annually.

Increased pig iron capacity is but one phase of the expansion which has covered the full range of National's operations from raw materials to finishing facilities . . . from great new coal and iron ore properties to new equipment of the many kinds required to manufacture National's wide range of steel products.

National Steel now has a steel-making capacity of 6,000,000 tons a year. Plans for further development involve a program now in progress which will carry on over the next three years.

This is National Steel—entirely independent, completely integrated—one of America's leading steel producers.

NATIONAL STEEL CORPORATION
GRANT BUILDING PITTSBURGH, PA.

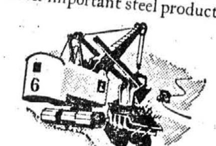
AN INDEPENDENT COMPANY OWNED BY MORE THAN 19,000 STOCKHOLDERS

SEVEN GREAT DIVISIONS WELDED INTO ONE COMPLETE STEEL-MAKING STRUCTURE

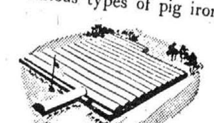
GREAT LAKES STEEL CORP.
Detroit, Mich. A major supplier of standard and special carbon steel products for a wide range of applications in industry.

WEIRTON STEEL COMPANY
Weirton, W. Va. World's largest independent manufacturer of tin plate. Producer of many other important steel products.

THE HANNA FURNACE CORP.
Buffalo, New York. Blast furnace division for production of various types of pig iron.



HANNA IRON ORE COMPANY
Cleveland, Ohio. Producer of iron ore from extensive holdings in the Great Lakes area.



NATIONAL STEEL PRODUCTS CO.
Houston, Texas. Warehouse and distribution facilities for steel products in the Southwest.

NATIONAL MINES CORP.
Supplies high grade metallurgical coal for the tremendous needs of National Steel mills.

STRAN-STEEL DIVISION
Ecorse, Mich. and Terre Haute, Ind. Exclusive manufacturer of famous Quonset buildings and Stran-Steel nailable framing.

NATIONAL STEEL

1954—A Year of Transition

By JOHN H. VOGEL*

Economist, American Paper and Pulp Association

Asserting it would be dangerous at this time to "hop up" the economy by boosting wages, shortening the work week, and starting large scale deficit financing, Mr. Vogel warns against raising production costs at a time when demand should be stimulated by lower prices, and thus further inflation avoided. Holds, because of elements of strength in the current national economy, the nation may, as in 1949, successfully make a transition from a war-to-peace economy. Sees a tendency to magnify the weakness of current situations, but warns booms can not last forever.

In considering the year ahead, and what it may hold, we must be mindful of the fact that we have enjoyed for the past 14 years the highest level of prosperity in our nation's history. In that short space of time our country has, to a large extent, either been preparing for, engaging in or recovering from war. We have had almost seven years of direct participation in war and what was once called a "police action" and almost eight years of price and materials controls. In only four years have we had what might be termed a free economy. Now, although we still stand in the gray light between war and peace, there is evidence an armed truce has been achieved and that once again plans can be made for a peacetime economy—modified though it may be by high defense expenditures. In looking back, we should also keep in mind that the prosperity born of war was not purchased cheaply. It was, on the other hand, costly in terms of human lives and national wealth and has left us with a heavy debt equal to four times the expected total of Government receipts this year.

John H. Vogel

Booms are pleasant while they last, but they do not last forever. Now we are faced with the complex problem of successfully negotiating the transition from a period of unduly high economic activity to what, for lack of a better name, may be termed "normal." This will not be easy. It will require skill on the part of Government in its handling of fiscal and monetary affairs; increased operating efficiency and aggressive sales efforts on the part of management; recognition by labor that although it is an important factor in production, undue rigidity in its policies may be deterimental to the other factors of production and in the long run a disservice to itself; and finally, there is a need for confidence on the part of all that the job can be done successfully. It is for the latter reason, the need for confidence, that I regret the recent division along political lines as to whether we will experience a mild recession or a major depression.

Must Have Confidence

I know that wishing for good business conditions will not alone create them and that faith, though it may move mountains, can not alone bring about economic stability. Nevertheless, if we are to successfully master the situation, confidence is necessary. This can best be brought about by a unified Government objectively facing and evaluating the facts as they are found and working together to develop and implement such a program as is deemed necessary. There have already been demands that wages be increased; hours of work shortened; and that deficit financing on a large scale be practiced. I cannot understand the advocates of such a program for they would raise costs of production at the very moment when demand in many areas may be best stimulated by increasing efficiency and lowering costs to permit price reductions. They would once again hop up the economy by causing a fresh round of inflation and, by forestalling adjustment at this time, heighten the possibility of a serious decline in the future. It is no more possible by legislation alone to assure prosperity than it is to eliminate sin; and those who are disposed to cry that the Government is doing too little too late in the current situation, should be reminded that too much too soon could be even more dangerous.

Current Weakness Magnified

There is a tendency, I believe, on the part of some to magnify and emphasize the weaknesses of our current situation and to overlook the points of strength. To be sure the number of unemployed is now about 2½ million and industrial production as measured for the Federal Reserve Board index is 6 or 7% below the peak of last July. Further, it can be said that unemployment will probably continue to rise in the months ahead, perhaps to between 3 and 4 million, and industrial activity to slide-off until it is perhaps 10% below the average of 134 in 1953. But the strengths, I believe, are much more imposing and will before the close of the year have asserted themselves. For example, we have been blessed this past year, and are still enjoying a period of unusual stability in wholesale and consumer prices. This is encouraging because since September inventories have begun to recede and so long as stable prices are maintained there will be no undue pressure to precipitously reduce them. With regard to basic commodities, it is significant that their prices began to decline early in 1951 and appear to have virtually completed their adjustment to a level only slightly above that of the pre-Korea period by the close of 1952. This is one of the indications of a strong possibility we will successfully adjust to the peacetime period. Another encouraging factor is that on the basis of preliminary studies it appears plant and equipment expenditures for the year by industry will decline only moderately from the level of $28 billion achieved in 1953. Construction expenditures also promise to continue close to the level of last year, as an expected decline in the construction of private dwellings will probably be somewhat offset by an increase in repairs and a greater outlay for highways and schools. Government purchases, including all levels of Government, may well exceed those of 1953 as cuts in the outlay of Federal funds tend to be counterbalanced by greater spending at the State and other levels of Government. And finally, personal consumption expenditures backed up by the greatest personal savings on record have as yet shown no sign of weakening and tax reductions may be expected to strengthen the purchasing power of our population. And so there is evidence that, as occurred in 1949, our economy may once again, although conditions differ, successfully negotiate the adjustment.

1953, a Record Year in Paper Industry

So far as the paper industry is concerned, 1953 has been a record-breaking year as almost 26.6 million tons were produced. This was 9% higher than in 1952 and 2% more than in 1951. However, one should not lose sight of the fact that this was due, primarily, to an upsurge of 1.7 million tons in the output of board. Total output of paper alone, although 4% more than in 1952, was 2% less than in 1951, as such major groups as newsprint, fine and coarse papers failed to equal the levels achieved in 1951. The production of tissue paper, as you know, amounted to almost 1.5 million tons, 10% ahead of 1952 and a shade better than in 1951, the previous record year.

Total new supply of paper and paperboard at 31.3 million tons also achieved a new high, but, because the growth of our population was at a faster rate, calculated consumption amounted to only 392 lbs., four less than in 1951. While I have no desire to be a Pollyanna it seems possible to me to find some good in this situation, at least insofar as the paper segment of the industry is concerned. For the fact that the per capita consumption of paper at 219 lbs. was less than in either 1950 or 1951 appears to be indicative that supply and demand were reasonably well in balance. Consequently, in the event of a general decline in business activity, the effects upon the production of paper should not be multiplied by the presence of unduly large inventories.

There is always, to be sure, danger inherent in speaking in terms of broad totals having numerous components, for the strength of demand and the potential growth of markets vary among the many kinds of paper. Thus, with regard to tissue production, the demand for which in the past 20 years has been almost consistently upward, it seems reasonable to assume that production next year should closely approximate that of 1953 when on the basis of preliminary figures output was equal to 100% of capacity on a six-day basis. In 1954, operations for the tissue group should approximate 95%, as output again exceeds 1,400,000 tons. However, if there is a slight decline in the demand for your products and a slight increase in productive capacity, it can only mean an intensification of competition with the rewards going to those who do the best production and merchandizing jobs. This points to the necessity for a close examination of product lines, raw material costs and mill-management, that the maximum return may be achieved. Further, the share of the market for individual mills is constantly shifting and it is important that an intensive study be made by each of its relative strengths and weaknesses that no opportunity be lost.

It looks then, as if 1954 may well see a return of competition and the joys and sorrows that accompany it. Those who have prepared for it will gain and those who have not may expect to be penalized. It will be a challenge to all, and each must determine how he may meet it. This, of course, is the meaning of "free enterprise" and I am certain that no one would trade the accompanying problems for those that went hand-in-hand with a controlled economy in the past.

*An address by Mr. Vogel before the Tissue Association, New York City, Feb. 17, 1954.

The United States Investors' Stake in Canada

Study prepared by James R. Clarke of Dominion Securities Corp. notes that bulk of large postwar capital outlays has been financed in the main by Canada itself. Presents figures showing extent of direct and portfolio investments by United States investors.

The trend of United States ownership of Canadian securities in the post-war period is the subject of a detailed analysis entitled "The United States Investors' Stake in Canada" currently being made available by The Dominion Securities Corp., 40 Exchange Place, N. Y. 5, N. Y. The study, prepared by J. R. Clarke, Vice-President of the Corporation, is divided into two major categories — Direct Investments and Portfolio Investments. It shows that while foreign countries in the past have played a major role in her economic expansion, particularly the United States and the United Kingdom, Canada has been able to finance its large capital expenditures since World War II with only minor dependence upon foreign capital.

James R. Clarke

Capital expenditures for new construction, machinery and equipment have increaased each year since 1946 from $1.7 billion in that year to $5.1 billion in 1952 and an estimated $5.6 billion in 1953. The total for the seven years ended 1952 is $24.4 billion of which 74% is classified as private. The net inflow of capital into Canada from all foreign countries amounted to only $100 million or less than 0.4 of 1% of the total expenditures for this period.

The United States direct investment which represents not only the flow of capital but also reinvested earnings of U. S. corporations in wholly-owned or controlled subsidiaries and branches in Canada increased to $4,540 million in 1952, almost double the 1945 figure. On the other hand, portfolio investment which represents all kinds of Canadian government bonds and bonds and stocks of Canadian corporations controlled in Canada increased only $774 million or 29% during the same period. Portfolio investments are principally held by institutional investors and to a lesser extent by the general public in the U. S.

On Dec. 31, 1952, the ownership of Canadian bonds in the U. S. totaled $2,429 million or 70% of the total U. S. portfolio investment. Since the total outstanding amount of all Canadian bonds on this date was $23,258 million, the proportion held as portfolio investments in the U. S. was only 10.5% while approximately 85% was held in Canada.

Contrary to the impression which has been created by the widespread publicity about the sale of highly speculative Canadian oil and mining shares, the portfolio ownership of Canadian stocks in this country was relatively less important in 1952 than in 1945 or 1939. Of the $774 million increase in portfolio investments in the seven years ended Dec. 31, 1952, more than 46% was in stocks. However, this increase was the result of rising book values and additional holdings, with additional holdings accounting for probably less than 50% of the total. For example, 47% of the equity of Canadian Pacific Railway with a book value in excess of $300 million is included in the total. Speculative issues comprise a very minor part of the total estimated $836 million stocks in Canadian companies owned by the American public.

Phil. Inv. Women To Hear Lecture

PHILADELPHIA, Pa.—The Investment Women's Club of Philadelphia will hold its fifth educational lecture of the current season under the sponsorship of the Philadelphia-Baltimore Stock Exchange on Wednesday, March 3, at 5:15 p.m. in the board room of the Fidelity-Philadelphia Trust Company. The speaker will be Mervyn L. Weiner of the economic staff of the International Bank for Reconstruction and Development. He will discuss the bank as it affects the securities industry. Dr. C. R. Whittlesey, Professor of Finance and Economics, University of Pennsylvania, will make introductory remarks.

Wm. J. Mericka Adds Two to Staff

CLEVELAND, O. — Wm. J. Mericka & Co., Inc., Union Commerce Building, have announced that James R. Mericka and James E. Jones have joined the sales department after completing nine months of training in the investment securities business.

James Mericka, 25, recently returned from a one year stint in Korea, having been with the U. S. Marine Corps for 21 months.

James E. Jones, 26, was formerly with the Warner & Swasey Co.

Both are actively engaged in selling to banks, insurance companies and individuals in Cleveland and Northern Ohio.

Jaffe With David Noyes

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Ben Jaffe has become associated with David A. Noyes & Co., 208 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Jaffe was formerly with H. Hentz & Co. and prior thereto was a partner in Felder & Jaffe.

R. A. Beilouny Opens

BROOKLYN, N. Y.—Raymond A. Beilouny is engaging in a securities business from offices at 164 Congress Street.

A. J. Grayson Opens

A. J. Grayson is engaging in a securities business from offices at 82 Beaver Street. He was formerly a partner in Grayson-Eigles Co.

Form Mica Fund Dist.

Mica Fund Distributors, Inc. has been formed with offices at 261 Broadway, New York City to engage in a securities business.

W. G. Rossiter

Winton G. Rossiter, member of the New York Stock Exchange and a partner in Jas. H. Oliphant & Co., passed away on Feb. 13.

UNION CARBIDE
AND CARBON CORPORATION

UCC

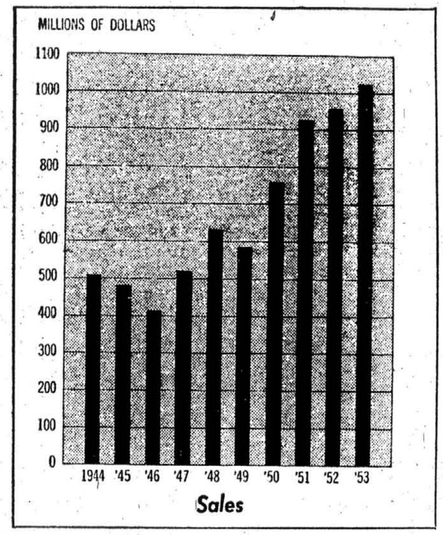
*1953 Annual Report Summary**

CONDENSED INCOME STATEMENT

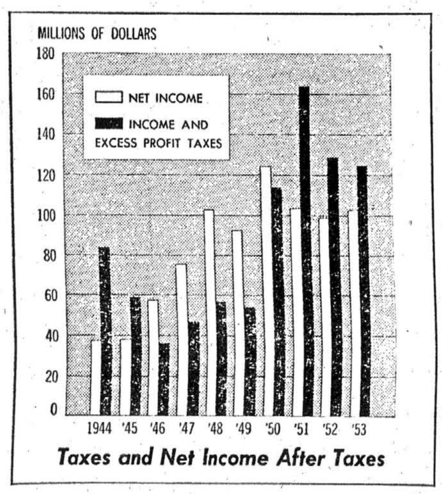
	1953	*1952*
Sales	$1,025,833,041	$956,931,021
Total Income	1,048,157,344	978,505,458
Cost of Goods Sold, Selling, General, and Administrative Expenses	733,528,658	690,299,054
Depreciation and Amortization	75,351,702	54,290,710
Interest on Promissory Notes	11,517,083	6,607,291
Net Income Before Income and Excess Profits Taxes	227,759,901	227,308,403
Provision for Income and Excess Profits Taxes and Renegotiation	124,976,459	128,987,704
Net Income	102,783,442	98,320,699
Net Income per Share	3.55	3.41
Dividends Paid	72,235,535	72,015,860

CONDENSED BALANCE SHEET

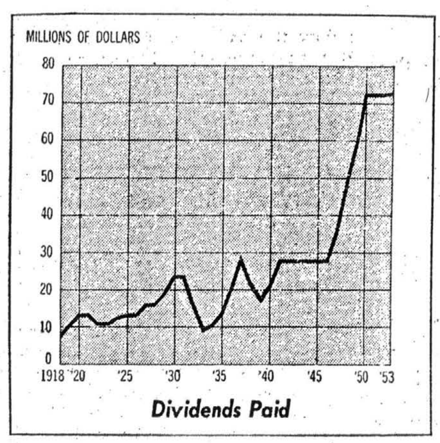
Assets		
Total Current Assets	$510,399,171	$472,762,802
Fixed Assets After Accumulated Depreciation and Amortization	658,392,229	574,498,412
Investments in Affiliates and Foreign Subsidiaries	15,699,522	19,744,817
Deferred Charges	6,101,408	5,172,117
Patents, Trade-Marks, and Goodwill	1	1
	$1,190,592,331	$1,072,178,149
Liabilities		
Total Current Liabilities	$207,130,929	$210,968,881
2.70% Promissory Notes	130,000,000	140,000,000
3.75% Promissory Notes	200,000,000	100,000,000
Reserve for Contingencies	6,381,098	6,381,098
Capital Stock—		
28,320,919 shares (28,274,744 shares in 1952)	210,173,350	208,534,466
631,875 shares (531,600 shares in 1952) held by the Corporation as collateral under the Stock Purchase Plan for Employees	26,264,110	18,786,482
28,952,794 shares (28,806,344 shares in 1952)	236,437,460	227,320,948
Less present amount of Agreements under the Stock Purchase Plan for Employees	25,966,255	18,553,970
	210,471,205	208,766,978
Earned Surplus	436,609,099	406,061,192
	$1,190,592,331	$1,072,178,149



Sales



Taxes and Net Income After Taxes



Dividends Paid

*Copies of the complete 1953 Annual Report of Union Carbide and Carbon Corporation will be gladly furnished on request. Included with the report is an illustrated booklet that describes the Corporation's products—Alloys, Carbons, Gases, Chemicals, and Plastics—and how they are produced from nature's raw materials. For copies of the report and booklet, please write to the Secretary, Union Carbide and Carbon Corporation, 30 East 42nd Street, New York 17, N. Y.

UCC's Trade-marked Products include

BAKELITE, KRENE, and VINYLITE Plastics • DYNEL Textile Fibers • PREST-O-LITE Acetylene • LINDE Oxygen
EVEREADY Flashlights and Batteries • UNION Carbide • NATIONAL Carbons • ACHESON Electrodes • PRESTONE Anti-Freeze
PYROFAX Gas • ELECTROMET Alloys and Metals • HAYNES STELLITE Alloys • SYNTHETIC ORGANIC CHEMICALS

Create Purchasing Power by Tax Relief at Lower Income Levels

By STANLEY H. RUTTENBERG*
Director, Department of Education and Research
Congress of Industrial Organizations

Asserting lack of consumption creates a paradoxical problem when it is considered that productive capacity must continually expand to absorb new influx of workers, CIO economist lays much of blame for situation on workers' inadequate purchasing power. Says emphasis should be put on increasing spendable income of consumers rather than on expanding investments in new plant and equipment, and advocates reduction in taxes on lower income groups along with elimination of excises.

There has been much discussion and analysis of the outlook for investment. Determinations have been made concerning the level of new investment and the possible effects of new incentives upon maintaining continued high levels of employment and production.

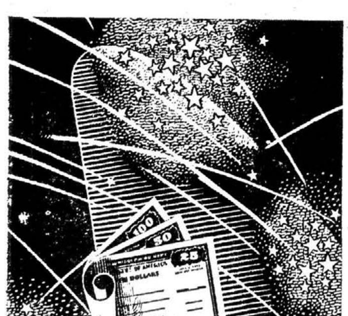
S. H. Ruttenberg

One day last week, Secretary of the Treasury Humphrey, testifying before this Joint Committee, developed the general thesis that naturally follows from his comment, "Production is the goose that laid the golden egg. . . . Payrolls make consumers." In discussing tax proposals to liberalize depreciation and give partial relief to "double taxation" of dividends, he stated, "Everyone will benefit because the economy will benefit with the resulting creation of more jobs with better tools and machinery to produce higher payrolls and cheaper better things for public consumption."

Certainly the theory underlying his proposal has many supporters. Furthermore, no one, either inside or outside of the Administration, can contest the belief that America must have a growing and expanding economy. However, the steps to be taken to reach this goal are debatable. From one point of view, the objective can be accomplished by encouraging investment and business expenditures for new plant and equipment. From another point of view, the way to reach the desired economic condition is to stimulate consumer income and purchasing power, which, in turn, stimulates investment in expanded plant and equipment.

No one can deny that investments are necessary. Without them, plants become obsolete, and inefficient, production declines, job opportunities dwindle, and stagnation blights the whole economy. I am not here to contest this fact. We cannot have a dynamic economy without new investments. The question, however, is, What is the best way to stimulate such investment? Must it be done directly through new tax concessions, through encouragement to business, or will such investment result from expanded consumer income and purchasing power?

*A statement by Mr. Ruttenberg before the Joint Committee on the Economic Report, Washington, D. C., Feb. 8, 1954.



Investment Outlays Have Been High

Moreover, we must not lose sight of the fact that the question before us must be answered at a particular point in time: This is no abstract theory—it is a problem in the context of certain past and possible future trends and developments. What are the factors surrounding this decision?

First and foremost is the fact that each of the post-World War II years has shown a new record for investment even though tax rates on corporations and individual incomes were continually rising. In the past year, we had the highest level of investments this country has ever known; this was true despite the highest tax rates, with the exception of those during World War II, that this country has ever known. It does not take too much analysis to realize that investment boomed in the face of high taxes primarily because markets, consumer and government, were tremendously strong in those years and profit opportunities were very great.

In spite of these rising levels of investment in recent years, culminating in the peak in 1953, however, production is declining. New job opportunities are scarce. Unemployment is steadily increasing. Part-time work is becoming the norm rather than the exception.

We must, therefore, answer this question: What is wise policy for stimulating an expanding and growing economy at this particular time?

A balanced economy requires that consumer income and consumer expenditures remain at very high levels. There is little question concerning what has happened to the existing output of American industry. Excessive inventories during 1953, followed by the rapid deceleration of inventory accumulations, indicate that consumers have not been buying all that existing plant and equipment could produce.

This lack of consumption creates a paradoxical problem when we consider that the productive capacity of the nation must continually expand, year in and year out, to absorb the new influx of workers.

At this point in time, therefore, should policy be directed, as the Secretary of the Treasury indicates, toward encouraging corporations to make investments in new equipment and new plant, in the hope that such action will create job opportunities and an expanding economy? Or should policy be aimed at increasing the spendable income available to the mass of American consumers, thus enabling the American people to buy up the product of existing plant and equipment and encourage expansion to meet ever-widening needs?

Just the other day, the President of the United States Steel Company, Mr. Benjamin Fairless, announced that during the first half of 1954, the steel industry would probably be operating at about 80% of capacity. This means producing on the average about 470,000 tons of steel per week less than was produced during the same week of 1953. The automobile industry has announced that there will be approximately ¾ of a million to 1½ million fewer cars produced during the year 1954 than were produced in 1953. Many other similar estimates, familiar, I am sure, to this Committee and to the participants in the panel, could be cited. Suffice it to say that existing plant and equipment in 1954 will not be producing at its ultimate capacity.

Tax Concessions to Business Do Not Benefit Consumer

Is it, therefore, wise policy at this particular moment to grant concessions to corporations, to big business, to wealthy taxpayers on the general theory that such tax revisions will help the economy "to grow and expand, will benefit every citizen, with steadier employment and higher standards of living?" The choice becomes quite simple: Is our main problem to give special, new incentives to get more productive capacity now, or is it to encourage more buying capacity—more ability to produce or more ability to buy products?

Secretary Humphrey's tax proposals, even if they have a sound basis, give no assurance that they will in themselves produce increased investments. All the easy money and tax encouragement in the world could not produce significant investment after 1929, when basic markets were weak. On the other hand, there can be little question of what would happen by increasing the incomes of the mass of American consumers through wage increases and/or through increases in personal individual income tax exemptions and excise tax cuts. Such increased income would undoubtedly find its way into the spending stream.

Everyone seems to give lip service to the idea of maintaining prosperity and building an expanding economy. If this is our end, we will have to stimulate consumer income and increase the purchasing power of the American people.

Increased purchasing power will encourage industry to produce at full capacity because of higher levels of demand. The stimulation of purchasing power can be accomplished best, I repeat, **at this point in time**, by increasing the personal, individual income tax exemptions and by permitting excise taxes to lapse automatically on April 1, and even by going further and reducing excises more than the automatic provisions permit.

These steps would increase the spendable income of people who normally spend all they earn. The resultant demand will create an atmosphere for investment in new plant and equipment. Without such an atmosphere, incentives to invest decline to a point of stagnation. Without such an atmosphere, wealthy stockholders and corporations will put their reduced taxes away in savings and wait for incentives to invest—incentives that come only with increased demand of a type that will absorb more than all the product that existing plant and equipment can produce.

Current Tax Reductions Defective

But the current tax recommendations made by the Administration and already approved by the House Ways and Means Committee take no cognizance of these economic problems. There are three specific tax proposals which account for almost all of the $3 billion loss in revenue which has been approved. One is the liberalization of tax treatment of depreciation; the second is the partial relief for "double taxation" of dividends; and the third is extending the period of carry-back of losses.

These three proposals combined mean that over 90%, or some $2,-850,000,000, of the $3.1 billion loss in revenue will be attributable exclusively to tax benefits for corporations, business, and wealthy stockholders.

When the full effects of these three tax proposals are felt, the first will cause a loss in Federal revenue to the government of $1,-550,000,000, while the second will mean a loss of $1,200,000,000, and the third, an additional $100 million.

In the face of the present economic situation confronting the country, therefore, production will not be the goose that laid the golden egg. Rather, I think Secretary Humphrey's proposals will have laid an egg that will only increase the gold of the wealthy taxpayers. This is an egg that will not hatch because it will not be laid in an atmosphere of increased demand for the products of American industry. It will merely be hidden in the savings of wealthy stockholders and corporations for an incubation period that is dangerously long.

There is no need to pursue analogies of eggs and geese further. There is an economic problem before us. It can best be solved by granting tax concessions to the mass of American consumers, thereby increasing their purchasing power, stimulating demand and, through that demand, creating an atmosphere that existed throughout the post-World War II period, when investments increased year in and year out, regardless of the level of corporate or individual income taxes.

Our Reporter's Report

By and large the investment world, including underwriting bankers, is interested primarily in what the Treasury may have in mind in the way of refunding and new financing to take care of its fiscal needs over the next few months.

Since it is the expressed intention of present Treasury authorities to fund as much as possible of its short-term debt on a long basis, it is believed that they will take advantage of present market conditions to go as far as possible in that direction.

There is persistent conjecture that forthcoming financing will include one to two billions of long bonds. That would enable the Treasury to keep within the debt limit imposed by Congress until action is taken to raise the figure if necessary.

But a major part of impending operations probably will of necessity be in bank eligible paper. Accordingly, the underwriting fraternity is keeping a close ear to the ground in anticipation of further action by the Federal Reserve to turn the tide of corporate borrowing which has been running out swiftly since the beginning of the year.

A reduction in the percentage of required reserves for member banks, it is noted, naturally would free up a proportionate amount of bank funds for investment. Such a move, though not necessarily so intended, could ease the Treasury's task in the days ahead.

Starting to Roll

Two recent issues which had been more or less stalemated since brought to market within the last fortnight, started to move this week, with one group able to close subscription books and the other to report the "pot" cleaned.

Louisville Gas & Electric's $12,-000,000 of 3⅛s, brought out to yield an even 3% went slowly at the start. But this week the sponsors reported oversubscription and closing of the books.

In the case of Pacific Gas & Electric's $60,000,000 of 3⅛s, priced to yield 3.07%, the "pot" was cleaned last Friday after a slow start, and this week brought sizable orders from a bank, presumably for a pension fund client, and from two insurance companies. While there are still bonds around in dealers hands at "less an eighth" the broadened inquiry was cheering news.

Breaking Through

Competition for Atlantic City Electric Co.'s $5,000,000 of new bonds was the keenest witnessed in many months. A "street-sized" deal, this one brought out no less than ten separate bids, and will prove the first utility offering to break a 3% yield basis in the current market phase.

The successful group paid the company a price of 100.089 for a 3% coupon rate and plans to reoffer, probably today, at 100.625 for a yield of 2.97%.

The runner-up, also bidding for a 3% interest rate, offered to pay a price of 100.041 indicating a spread of less than five cents per $100 piece.

Next Week Busy

With Southern California Edison's negotiated offering of 600,-000 shares of additional common stock topping the list, tentatively for Tuesday, next week promises to provide enough business to take the kinks out of underwriters and dealers who have been coasting.

Monday brings $20,000,000 of Southern Natural Gas Co. bonds and $30,000,000 of Houston Light & Power bonds will be up for bids.

On Wednesday the market is prepared to handle an offering of $50,000,000 of Province of Ontario bonds, half in serials and the balance in term bonds. And on Thursday investors will be offered opportunity to subscribe for 70,-000 shares of preferred of Long Island Lighting Co.

Now With Jamieson & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Kenneth C. Kausen has become affiliated with Jamieson & Company, Russ Building.

Clement Evans Adds

(Special to THE FINANCIAL CHRONICLE)

AUGUSTA, Ga. — Milton E. Kirkpatrick is now with Clement A. Evans & Company, Inc., Marion Building.

With Weil, Pearson Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Arthur R. Rapp has become associated with Weil, Pearson & Co. of Boston. He was formerly with R. H. Mabbatt & Co.

Joins Lloyd & DeGeus

(Special to THE FINANCIAL CHRONICLE)

JOLIET, Ill.—George P. Foster, Jr. has been added to the staff of Lloyd & DeGeus, Rialto Square Building, members of the Midwest Stock Exchange.

What We Face in Korea

By ARTHUR H. DEAN*
Special Ambassador for Negotiating Korean Peace
Partner, Sullivan & Cromwell, New York City

Ambassador Dean describes the geographical, economic and military situation in Korea, and conditions leading up to the Armistice. Lists as principal problems in the peace negotiations: (1) the demand of the Communists that Russia participate as a "neutral"; (2) the question of the attendance of neutrals; (3) the voting rights of the two sides; (4) the scheduling of debates; (5) the make up of the conference's secretariat, and (6) fixing of the agenda. Pleads for economic assistance to southern Korea.

It is a great privilege and pleasure to talk to so many of my old friends here in the "Street."

We are what FPA used to call "Canyon Fodder."

Arthur H. Dean

I have grown up here with you, worked and argued with you, and been bawled out by many of you for not having underwriting contracts, syndicate agreements or other documents prepared on time. Some or practically all of you know me by my first name. Consequently it startles me to be introduced to you as an "Ambassador." But I won't talk to you today about the underwriting case.

Rather I would like to talk to you very briefly today about the problems we face in war-torn Korea.

Many of you are familiar with the Far East. You have served in the Army, Navy or the Air Force in the last war or have been out there or traded or invested private funds out there for your organizations.

You belong to the group which raises private capital for American industry. It is you who play one of the most important and vital roles in the world of combating communism, the channeling of American investment in productive enterprises both here and abroad; and I have spent most of my professional life working with you in these fields.

You are thoroughly familiar with the general location of Korea, Indo-China, the Philippines, China, Manchuria, the U. S. S. R. and Japan.

But bear with me a moment.

A Mountainous Country

Korea, as you know, is a 525 mile long "S" shaped peninsula extending southward from Manchuria and Soviet Russia to within less than 120 miles of southern Japan. It is shaped somewhat like Florida but is very mountainous. Its area of 85,000 square miles is approximately equal to that of Minnesota. The area available for cultivation is relatively small.

The East coast of Korea faces the Sea of Japan. To the west across the Yellow Sea lie China and the Soviet controlled ports of Dairen and Port Arthur. To the south is the Korea Strait. Approximately 500 miles to the south lies the island of Formosa: then approximately 390 miles further south are the Philippines. South of China and west of the Philippines are Indo-China, Thailand and Malaya.

To the north of Korea are the winding Amen (Yalu) and Tumen Rivers. North and northwestward lies Manchuria, and to the extreme northeast the U. S. S. R. fronts on Korea.

Korea lies some 5,600 air miles from Seattle. But statutory miles are misleading. Kipling is outdated. East and West are meeting.

Recently a pilot in a Bell X-1a jet plane flew over 1,600 miles per hour or about two times the speed of sound. And just last week a Series II plane, Great Britain's latest version of its Comet jet airliners flew 3,080 miles from London to Khartum, Sudan, in 6 hours 22 minutes or 481 miles an hour. It is driven by four Rolls Royce Avon jet engines and is rated at 7,000 pounds thrust. A few days ago a National Guard officer flew the 2,530 miles from Los Angeles to the East Coast in 4 hours and 8 minutes, or 612 miles an hour. And the other day a Scandinavian air line flew from Los Angeles over the North Pole to Stockholm in about 24½ hours as a pilot plane for a regularly scheduled route over the Pole.

When I went to Japan in the Fall of 1927 to work on some loans to power companies there, it took some 14 days from the West Coast by the northern ship route and 20 by the southern.

Today one can fly the approximately 9,000 miles from our east coast to Seoul, Korea with short stops for fueling in about 36 to 40 hours at an average speed of about 270 miles per hour.

Fifty years ago when Wilbur and Orville Wright first flew the heavier than air machine, it took approximately 6 hours to go from New York to Washington.

Thus, for the purpose of calculating the relativity of various places, we have abolished the statutory mile.

If there is anything like the improvement in the speed of transportation in the next 10 years, let alone the next 50, you can easily see that places like Japan, Korea and Indo-China may be relatively closer to New York City by aerial transportation than New York was to Washington 50 years ago by rail.

Military Role of U. S.

Many of you have sons or nephews or loved ones in Korea and to many of you the thought must often have come: "Why did we go?" "What are we doing in Korea?" "Why do we stay?" "What do we get out of it?"

In June of 1950 the Republic of Korea, set up under the auspices of the United Nations, was attacked by forces from North of the 38th Parallel, inspired and armed by the U. S. S. R.

Following the adoption of resolutions by the Security Council of the United Nations in June and July, 1950, we contributed troops to the United Nations Command, along with 15 other members of the United Nations and the Republic of Korea. We took on the unified command of the United Nations' collective effort to put down aggression. We gave the post to one of our outstanding military leaders, General Douglas MacArthur.

We did not unify Korea by military might. But, among other things, we proved that armed aggression does not pay. And we stopped the time-table of Red aggression in the Far East.

I shall not dwell upon the part that the U. S. S. R. played in that aggression or the part it played in the organization, training and

Continued on page 36

*A talk by Mr. Dean before the Bond Club of New York, Jan. 25, 1954.

Gulf Sulphur Stock Offered at $10 a Share

Peter Morgan & Co., New York City, is publicly offering "as a speculation" 700,000 shares of Gulf Sulphur Corp. 60-cent non-cumulative convertible preferred and participating stock (par 10 cents) at $10 per share.

Such preferred stock is convertible on or prior to 1960 into shares of class B common stock at the rate of two shares of such class B common stock for each share of preferred stock. The company has the right to redeem all or any part of the preferred stock after 1956 upon 30 days' notice at a price of $12.50 per share, subject to the prior conversion thereof.

The major portion of the proceeds of this financing will be advanced to Compania de Azufre Veracruz, S. A., a subsidiary, for the purpose of obtaining as large a production of sulphur as possible by the Frasch Process from the Mezquital concessions located on the Isthmus of Tehuantepec in the State of Veracruz, Mexico.

Gulf Sulphur Corp. was incorporated in Delaware on Aug. 1, 1951, for the principal purposes of exploring for, developing, producing and selling sulphur. The company through its subsidiary proposes to construct a plant or other facilities for the production of sulphur by the Frasch Process.

Gulf Sulphur Corp. has outstanding, prior to the above financing, 1,925,000 shares of common stock (par 10 cents).

Hooker & Fay Adds Two

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Raymond Hornby, Jr. and Albert L. Hoogs have become affiliated with Hooker & Fay, 340 Pine Street, members of the New York and San Francisco Stock Exchanges. Mr. Hornby was previously with Dean Witter & Co. Mr. Hoogs was with Reynolds & Co. and Davies & Co.

With Marshall Company

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Francis W. Roedl and Norbert A. Koller now affiliated with The Marshall Company, 765 North Water Street. Mr. Roedl was formerly with the City Bank & Trust Company and in the past was with John A. Toennessen & Co.

G. R. Bill Co. Formed

SAN DIEGO, Calif.—G. R. Bill Company has been formed with offices at 2202 El Cajon Boulevard to engage in the securities business. Officers are Gerard R. Bill, President and Kenneth N. Fogg, Vice-President and Treasurer.

Stuart Peters Co. Formed

(Special to THE FINANCIAL CHRONICLE)

SANTA MONICA, Calif.—Stuart Peters is engaging in a securities business from office at 240 Twenty-sixth Street, under the firm name of Stuart Peters & Co.

Beyer, Rueffel Adds

(Special to THE FINANCIAL CHRONICLE)

DAVENPORT, Iowa—Robert M. Hopkins has become associated with Beyer-Rueffel & Co., Kahl Building. He was formerly with Voss & Co. of Chicago.

M. J. Rosenshine Opens

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Monroe J. Rosenshine has opened offices at 155 Motgomery Street to engage in the securities business.

With A. E. Ames & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Richard F. Chamberlin is now associated with A. E. Ames & Co. Incorporated, 50 Congress Street.

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market proved this week that it isn't out of the woods yet after posting the first minus week of the year last week. Neither the breakout of a trading range on the down side, nor the continued irregularity this week, caused much dismay, however. For one thing, February is traditionally a poor month marketwise. For another, the strength shown so far this year, and in fact for the last five months with a brief year-end interruption, logically called for some sort of consolidation.

* * *

For the longer-term point of view, the rails continue to exert a heavy drag on the market's technical action and on sentiment generally. They have yet to get going impressively and are far from confirming the 24-year new high posted by the industrials. The facts coming along currently aren't such as to build up any sustained demand for the carriers, what with a general decline in income in January.

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Even the rail managements have shown a cautious outlook, the case of Erie probably being one in point. Erie shifted to a quarterly payment basis against the old semi-annual system this week. But the 27½-cent initial quarterly payment is equivalent to a $1.50 annual basis which compares with the $1.75 voted for the last four years, hardly a move calculated to spur investor interest. Erie, incidentally, now has completed a dozen years of annual payments since its 1941 reorganization. And it has pretty well shaken off the famous reputation of the old days that icicles would grow in that well-known nether region before Erie would make payments.

* * *

MOP Stands Out

As usual, there's always an exception and the one in the rails was Missouri Pacific preferred. The motive here is the hopes over the eventual reorganization plan that will materialize for this, the last of the major carriers still to emerge from the bankruptcy of the 'Thirties depression. After adding some four points net last week, the issue this week added as much as three more points in a single session. Unlike the MOP issue, the other rails were more restrained in their action, although they did seem far more ready to sell off than to be bid up.

* * *

Industrials put on what essentially was a classic consolidation phase, special issues moving widely while the bulk of the list made little progress. A couple of beneficiaries of merger rumors, of which there seldom is any dearth in Wall Street, had some good speculative plays. Reo Motors was one of them which, after adding some 15% in value on unconfirmed rumors, bumped into the inevitable profit-taking this week. It reacted somewhat violently after pushing to a new high for the past 14 months as well as equalling the best price posted since 1948.

* * *

Oils Subsiding

Oils, and particularly high-priced Amerada in the group, wove an uncertain way. After their recent return to popularity, in which some of the members were able to stand out in the daily lists of new highs, they, too, subsided this week. Amerada came within a fraction of equalling its 1953 high before its strength oozed away, too. This stock, to many of its followers, was "the" stock of the post War II period until a couple of years ago. Split 2-for-1 in 1946, the split issue quickly returned to the pre-split level by 1951 when it was again split 2-for-1. The following year the twice-split issue had a higher price tag than even the old shares had posted. After 1952 it calmed down and now is about midway in the two-year trading range.

* * *

Movies Getting Good Play

A good share of speculative play persists in the movie issues and they gave a good showing of stability, even including Twentieth Century-Fox which stood its ground and pretty well ignored a week's postponement in a dividend meeting set for today. Despite the excuse for the delay given as "lack of a quorum," which might have brought some precautionary selling by the skeptics, the issue did little. Columbia Pictures and Loew's, which have been forging into new high ground for more than a year, continued to show above-average action.

* * *

Aircrafts during the past week came to the end of a road to some degree. They were generally far more prominent on the losing side than in new strength. Douglas, with the enthusiasm over the forthcoming stock split over, was able to dip widely without encountering much support, but this appeared to be more from the fact that the traders were on the sidelines than from any sizable liquidation.

* * *

Chemicals were also among the heavier groups and Monsanto and Dow had their trying moments. Dow's specific trouble, in the opinion of most brokers, stemmed from the threat that its 2½% stock payments that have become regular in the last four years, are unlikely to be maintained. As one Exchange house points out, somewhat ironically, the more the stock declines the more likely it is that the company will be able to pay in stock. This arises out of a recently invoked ruling of the New York Stock Exchange that cash and stock dividends together should not exceed earnings. The ruling was on the books for some time but was used for the first time to halve the International Business Machines last stock payment.

* * *

Textiles and Mergers

It again was a case of reported mergers that gave a bit of prominence to some of the issues in the long-depressed and dormant textile group, Robbins Mills, once officially engaged in talks of a merger with American Woolen, was especially active, even though it was far from spectacular, in price action. The specific spur, logically if not officially, is that such a deal is back in negotiation which has the virtue of providing the ailing American Woolen with a quick entry into the synthetic textile field. Also responsible for at least a momentary interest in this group was the fact that Celanese, despite dour expectations, continued the same payment at the board meeting Monday.

Steels ruled a bit heavy as production dropped under three-fourths of capacity, one of the signposts that business is slackening off a bit. In the associated metal firms, Vanadium Corp. and Climax Molybdenum relaxed after a bit of a runup probably traceable to all the brokerage attention to "atomic energy" issues and uranium producers. It seems that atomic energy has to come closer to civilian benefits before it can be a persistent market influence.

* * *

Creeping Telephone

Through all the market gyrations, American Telephone continues to follow a creeping uphill maneuver independent of the sentiment around it. Despite the heavy debenture conversions of early this month, the stock climbed to around the best level seen in the last half of a decade. And the annual report, issued this week, showed the stockholders to have risen to a new total of 1,265,000 far and away the widest public ownership in the country. In fact, the last report of General Motors, its closest rival in number of shareholders, showed that GM has yet to reach the half million mark.

[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.]

With First California Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Thomas T. Ellsworth has become associated with the First California Company, 647 South Spring Street. Mr. Ellsworth was previously with J. R. Williston, Bruce & Co. and Morgan & Co.

Lester, Ryons Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Edwin P. Gaffney has been added to the staff of Lester, Ryons & Co., 623 South Hope Street, members of the New York and Los Angeles Stock Exchanges.

With Calif. Investors

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Sampson L. Dietz, Jack D. Naliboff, Sherman F. Smith, and Martin Turner have joined the staff of California Investors, 3924 Wilshire Boulevard.

Sutro Adds to Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Charles M. Nash, Jr. has been added to the staff of Sutro & Co., Van Nuys Building.

With King Merritt

(Special to The Financial Chronicle)

MACON, Mo. — Leland Spicer is now affiliated with King Merritt & Co., Inc.

C. H. Laufman Joins Dempsey-Tegeler Co.

(Special to The Financial Chronicle)

PASADENA, Calif. — C. Harry Laufman has become associated with Dempsey-Tegeler & Co. Mr. Laufman formerly conducted his own investment business in Pasadena and prior thereto was with Hill Richards & Co.

Now Burns, Collier Co.

OKLAHOMA CITY, Okla.—The firm name of Mid-Continent Securities Co., Inc., Commerce Exchange Building, has been changed to Burns, Collier & Company, Inc.

Eisenhower Urges Wider Use of Atomic Energy

In special message to Congress, he recommends specific amendments to the Atomic Energy Act which would permit certain limited information on the use of atomic weapons to our allies, and would enable wider research and use of atomic energy for peaceful purposes.

On Feb. 17, President Dwight D. Eisenhower delivered to Congress a special message in which he recommended certain amendments be made to the Atomic Energy Act of 1946, that would permit the nation's allies a wider use of atomic weapons, and that would, at the same time, remove restrictions on the development and use of atomic energy by private enterprise.

The text of the President's message follows:

For the purpose of strengthening the defense and economy of the United States and of the free world, I recommend that the Congress approve a number of amendments to the Atomic Energy Act of 1946. These amendments would accomplish this purpose, with proper security safeguards, through the following means:

Pres. Eisenhower

First, widened cooperation with our allies in certain atomic energy matters;

Second, improved procedures for the control and dissemination of atomic energy information; and,

Third, encouragement of broadened participation in the development of peacetime uses of atomic energy in the United States.

Nuclear Progress

In 1946, when the Atomic Energy Act was written, the world was on the threshold of the atomic era. A new and elemental source of tremendous energy had been unlocked by the United States the year before. To harness its power in peaceful and productive service was even then our hope and our goal, but its awesome destructiveness overshadowed its potential for good. In the minds of most people this new energy was equated with the atomic bomb, and the bomb spelled the erasure of cities and the mass death of men, women, and children.

Moreover, this Nation's monopoly of atomic weapons was of crucial importance in international relations. The common defense and world peace required that this monopoly be protected and prolonged by the most stringent security safeguards.

In this atmosphere, the Atomic Energy Act was written. Well suited to conditions then existing, the Act in the main is still adequate to the Nation's needs.

Since 1946, however, there has been great progress in nuclear science and technology. Generations of normal scientific development have been compressed into less than a decade. Each successive year has seen technological advances in atomic energy exceeding even progressive estimates. The anticipations of 1946, when government policy was established and the Atomic Energy Act was written, have been far outdistanced.

One popular assumption of 1946—that the United States could maintain its monopoly in atomic weapons for an appreciable time—was quickly proved invalid. That monopoly disappeared in 1949, only three years after the Atomic Energy Act was enacted. But to counterbalance that debit on the atomic ledger there have been mighty increases in our assets.

A wide variety of atomic weapons — considered in 1946 to be mere possibilities of a distant future — have today achieved conventional status in the arsenals of our armed forces. The thermonuclear weapon — nonexistent eight years ago—today dwarfs in destructive power all atomic weapons. The practicability of constructing a submarine with atomic propulsion was questionable in 1946; three weeks ago the launching of the U.S.S. Nautilus made it certain that the use of atomic energy for ship propulsion will ultimately become widespread. In 1946, too, economic industrial power from atomic energy sources seemed very remote; today, it is clearly in sight—largely a matter of further research and development, and the establishment of conditions in which the spirit of enterprise can flourish.

Obviously, such developments as these within so short a period should have had a profound influence on the Nation's atomic energy policy. But in a number of respects, our atomic energy law is still designed to fit the conditions of 1946.

Many statutory restrictions, based on such actual facts of 1946 as the American monopoly of atomic weapons and limited application of atomic energy in civilian and military fields, are inconsistent with the nuclear realities of 1954. Furthermore, these restrictions impede the proper exploitation of nuclear energy for the benefit of the American people and of our friends throughout the free world.

An objective assessment of these varied factors leads clearly to these conclusions: In respect to defense considerations, our atomic effectiveness will be increased if certain limited information on the use of atomic weapons can be imparted more readily to nations allied with us in common defense. In respect to peaceful applications of atomic energy, these can be developed more rapidly and their benefits more widely realized through broadened cooperation with friendly nations and through greater participation by American industry. By enhancing our military effectiveness, we strengthen our efforts to deter aggression; by enlarging opportunities for peacetime development, we accelerate our own progress and strengthen the free world.

Section 1 of the Atomic Energy Act of 1946 wisely recognizes the need for future revisions of the law. In its spirit and in consideration of matters of the utmost importance to the Nation's defense and welfare, I recommend that the Congress approve a number of amendments to the Atomic Energy Act.

Cooperation With Other Nations

In this atomic era, the growth of international cooperation for the defense of the free world is the most heartening development on the world political scene. The United States is allied with many friends in measures to deter aggression and, where necessary, to defeat the aggressor. The agreements binding ourselves and our friends in common defense constitute a warning to any potential aggressor that his punishment will be swift and his defeat inevitable. These powerful influences for peace must be made as strong and convincing as possible.

Most of our friends among the nations have had little opportunity to inform themselves on the employment of atomic weapons. Under present law, we cannot give them tactical information essential to their effective participation with us in combined military operations and planning, and to their own defense against atomic attack.

Our own security will increase as our allies gain information concerning the use of and the defense against atomic weapons. Some of our allies, in fact, are now producing fissionable materials or weapons, supporting effective atomic energy research and developing peacetime uses for atomic power. But all of them should become better informed in the problems of atomic warfare and, therefore, better prepared to meet the contingency of such warfare. In order for the free world to be an effective defense unit, it must be geared to the atomic facts of this era.

I urge, therefore, that authority be provided to exchange with nations participating in defensive arrangments with the United States such tactical information as is essential to the development of defense plans and to the training of personnel for atomic warfare. Amendments to the definition of "restricted data" recommended later in this message will also contribute to needed administrative flexibility in the exchange of information with such nations concerning the use of atomic weapons.

To meet a specific defense need existing in 1951, the Congress approved a carefully limited procedure for the communicaation of information on the processing of atomic raw materials, reactor development, production of fissionable materials, and related research and development. These limitations should now be modified so that the authority to communicate information, adjusted to present conditions, may be better used to our national advantage.

In the development of peaceful uses for atomic energy, additional amendments are required for effective United States cooperation with friendly nations. Such co-operation requires the exchange of certain "restricted data" on the industrial applications of atomic energy and also the release of fissionable materials in amounts adequate for industrial and research use. I therefore recommend that the Atomic Energy Act be amended to authorize such cooperation. Such amendements should prescribe that before the conclusion of any arrangements for the transfer of fissionable material to a foreign nation, assurances must be provided against its use by the recipient nation for military purposes.

Sharing certain information with other nations involves risks that must be weighed, in each instance, against the net advantages to the United States. In each case, we must be guided by such considerations as: The sensitivity and importance of the data, the specific uses to which the information will be put, the security standards of the co-operating nation, its role in the common defense of the free world, and the contributions it has made and can make to the mutual security effort. Such considerations apply to the exchange or communication of information on general defense planning and the employment of conventional weapons as well as to the information that could be exchanged pursuant to these recommendations.

The recommendations are apart from my proposal to seek a new basis for International co-operation in the field of atomic energy as outlined in my address before the General Assembly of the United Nations last December. Consideration of additional legislation which may be needed to implement that proposal should await the development of areas of agreement as a result of our discussions with other nations.

In a related area, present law prevents United States citizens or corporations from engaging directly or indirectly in the production of fissionable material outside the United States, except upon determination by the President that the proposed activity will not adversely affect the common defense and security. Matters that have arisen under this provision have been ordinary business or commercial activities which nevertheless fall within the broad statutory prohibition because they might contribute in some degree, however, minor, to foreign atomic energy programs. The President should be enabled to authorize the Atomic Energy Commission to make future determinations of this nature. This amendment is related also to the above amendment concerning the exchange of information with other countries, as arrangements for authorized exchanges of information with friendly foreign governments may involve participation by American citizens or firms in work in foreign countries. The proposed amendment would permit the Atomic Energy Commission also to authorize such participation.

All of these proposed amendments should make it clear that the authority granted must be exercised only in accordance with conditions prescribed by the President to protect the common defense and security.

Protection of Atomic Energy Information

A special category of "restricted data," so defined as to include virtually all atomic energy data of security significance, is now established by law. "Restricted data" are protected in the law by special espionage provisions, provisions relating to the control, dissemination and declassification of such data, and by requirements for personnel security clearances.

Personnel Security. The provisions of the Act relating to security clearances of personnel need improvement in several respects. The Act does not recognize degrees of sensitivity of "restricted data." The same clearance requirements apply to any type of "restricted data," whether it be access by the unskilled construction laborer to "restricted data" of only marginal security significance, or access by a scientist to the heart of atomic weapons information. The Atomic Energy Commission lacks sufficient latitude under present law to determine the extent of personnel investigation needed for adequate security. Many costly background investigations required by present law are unnecessary. The Atomic Energy Commission should be permitted to relate the scope of investigation required under the Act to the significance of the access to "restricted data" which will be permitted.

This amendment is especially pertinent to the proposed broadening of private participation in the development of atomic power. While such private participants will require access to "restricted data" on reactor technology, full investigations of all their employees who will have such access are not warranted because much of the data involved will not have significant security importance. Moreover, such investigations would impede and discourage the desired participation and would be unnecessarily costly both to government and to industry. Where access to more sensitive "restricted data" is involved, the Commission must, of course, require full investigations.

Another security clearance problem relates to personnel of Department of Defense agencies and to the personnel of contractors with those agencies. The Atomic Energy Commission may now disclose "restricted data" to such of these personnel as have security clearances from the Department of Defense. The "restricted data" so disclosed by the Commission are thereafter protected in accordance with Department of Defense security regulations. And yet, contractors of the Commission are precluded by law from granting the same personnel access to the same "restricted data" until they have had AEC clearance, based on investigations by the Federal Bureau of Investigation or the Civil Service Commission.

As applications of atomic energy become increasingly widespread within the Armed Services, the necessity increases for communication of "restricted data" between AEC contractors and participants in related Department of Defense programs. The present fact that personnel engaged in military programs who have military clearances must be denied access to "restricted data" by AEC contractor personnel impedes cooperation between the Department of Defense and the Atomic Energy Commission in areas of mutual interest and causes unnecessary expense in time and money. I therefore recommend that the Atomic Energy Commission be enabled to authorize its contractors and licensees to afford access to "restricted data" to personnel engaged in Department of Defense programs who need such data in their work and who possess the proper military security clearances.

The Definition of Restricted Data. (1) A large body of "restricted data" under present law relates primarily to military utilization of atomic weapons. The responsibility for the control of much of this weapons information logically should rest with the Department of Defense rather than with the Commission. Many administrative difficulties that are produced by a dual system of security would be eliminated by the removal of this weapons information from the "restricted data" category and its subsequent protection by the Department of Defense in the same manner and under the same safeguards as other military secrets.

This method of handling weapons information is not possible under present law. "Restricted data" can be removed from the statutory "restricted data" category only by declassification, upon a determination by the Atomic Energy Commission that the publication of such data would not adversely affect the common defense and security. Declassification obviously is not the remedy. The remedy lies in reliance upon the standard security measures of the user, the Department of Defense. I recommend, therefore, that the statutory definition of "restricted data" be amended to exclude information concerning the utilization of atomic weapons, as distinguished from information on their theory, design and manufacture.

(2) In addition to information which falls wholly within the utilization category, there is information which concerns primarily the utilization of weapons but which pertains also to their design and manufacture. In order to avoid difficulties in this marginal zone, I recommend legislation which also would authorize removal of such information from the "restricted data" category. This would be done only when the Commission and the Department of Defense jointly determine that it relates primarily to military utilization of atomic weapons and that it can be adequately safeguarded as classified defense in-

formation under the Espionage Act and other applicable law.

(3) Consistent with these changes, I recommend that the Department of Defense join with the Atomic Energy Commission in any declassification of "restricted data" which relate primarily to military utilization of atomic weapons and which can be published without endangering the national security. Thus, the Department of Defense will have an appropriate voice in the protection and declassification of such "restricted data" and the responsibilities of the Commission will be clarified with respect to all other "restricted data."

Domestic Development of Atomic Energy

What was only a hope and a distant goal in 1946—the beneficent use of atomic energy in human service—can soon be a reality. Before our scientists and engineers lie rich possibilities in the harnessing of atomic power. The Federal Government can pioneer in its development. But, in this undertaking, the enterprise, initiative and competitive spirit of individuals and groups within our free economy are needed to assure the greatest efficiency and progress at the least cost to the public.

Industry's interest in this field is already evident. In collaboration with the Atomic Energy Commission, a number of private corporations are now conducting studies, largely at their own expense, of the various reactor types which might be developed to produce economic power. There are indications that they would increase their efforts significantly if the way were open for private investment in such reactors. In amending the law to permit such investment, care must be taken to encourage the development of this new industry in a manner as nearly normal as possible, with careful regulation to protect the national security and the public health and safety. It is essential that this program so proceed that this new industry will develop self-reliance and self-sufficiency.

The creation of opportunities for broadened industrial participation may permit the Government to reduce its own reactor research and development after private industrial activity is well established. For the present, in addition to contributing toward the advancement of power reactor technology, the Government will continue to speed progress in the related technology of military propulsion reactors. The present complementary efforts of industry and Government will therefore continue, and industry should be encouraged by the enactment of appropriate legislation to assume a substantially more significant role. To this end, I recommend amendments to the Atomic Energy Act which would:

(1) Relax statutory restrictions against ownership or lease of fissionable material and of facilities capable of producing fissionable material.

(2) Permit private manufacture, ownership and operation of atomic reactors and related activities, subject to necessary safeguards and under licensing systems administered by the Atomic Energy Commission.

(3) Authorize the Commission to establish minimum safety and security regulations to govern the use and possession of fissionable material.

(4) Permit the Commission to supply licensees special materials and services needed in the initial stages of the new industry at prices estimated to compensate the Government adequately for the value of the materials and services and the expenses to the Government in making them available.

(5) Liberalize the patent provisions of the Atomic Energy Act, principally by expanding the area in which private patents can be obtained to include the production as well as utilization of fissionable material, while continuing for a limited period the authority to require a patent owner to license others to use an invention essential to the peacetime applications of atomic energy.

Until industrial participation in the utilization of atomic energy acquires a broader base, considerations of fairness require some mechanism to assure that the limited number of companies, which as government contractors now have access to the program, cannot build a patent monopoly which would exclude others desiring to enter the field. I hope that participation in the development of atomic power will have broadened sufficiently in the next five years to remove the need for such provisions.

In order to encourage the greatest possible progress in domestic application of atomic energy, flexibility is necessary in licensing and regulatory provisions of the legislation. Until further experience with this new industry has been gained, it would be unwise to try to anticipate by law all of the many problems that are certain to arise. Just as the basic Atomic Energy Act recognized by its own terms that it was experimental in a number of respects, so these amendments will be subject to continuing future change and refinement.

* * *

The destiny of all nations during the twentieth century will turn in large measure upon the nature and the pace of atomic energy development here and abroad. The revisions to the Atomic Energy Act herein recommended will help make it possible for American atomic energy development, public and private, to play a full and effective part in leading mankind into a new era of progress and peace.

DWIGHT D. EISENHOWER

The White House,
Feb. 17, 1954.

Mackinac Bridge Bond Financing Completed

Agency receives check for $96,400,033 at closing ceremonies in New York.

Formal completion of the financing of the proposed bridge across the Straits of Mackinac, in Michigan, took place Feb. 17 when Joseph H. King, President of Union Securities Corp., handed a check for $96,400,033.33 to Prentiss M. Brown, Chairman of the Mackinac Bridge Authority. The check represented proceeds from the sale of Authority bonds to a group of underwriters comprising Union Securities Corp.; Allen & Co.; A. C. Allyn and Co., Inc., and Stifel, Nicolaus & Co., Inc. In December the group purchased from the Authority $99,800,000 of bonds, comprising $79,800,000 series A 4% bonds due 1994 and $20,000,000 series B 5¼% bonds due 1994. The series A bonds were re-offered publicly on Jan. 15; no public offering of the series B bonds is contemplated at this time.

The bridge, which is expected to be opened to traffic on Nov. 1, 1957, will be the sole vehicular crossing of the Straits of Mackinac, which separate the Upper and Lower Peninsulas of the State of Michigan. It will extend from Mackinac City in the Lower Peninsula across the Straits to a point near St. Ignace, Michigan, a distance of nearly five miles.

At the concluding ceremonies, held at the Bankers Trust Co. in New York City, Mr. Brown read a congratulatory letter from Gov. G. Mennen Williams of Michigan. Gov. Williams said that the financing marks a milestone in the road of "giving the people of Michigan a connection between their two great peninsulas and giving the United States and Canada a transcontinental highway between the industrial East and the Pacific Northwest."

Goodbody Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—John A. Zinn has been added to the staff of Goodbody & Co., Penobscot Building.

With Merrill Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — William J. O'Donoghue is now with Merrill Lynch, Pierce, Fenner & Beane, Congress and Shelby Streets.

Business Will Be Better Again!

By PAUL C. KIMBALL*
Paul C. Kimball & Co., Chicago, Ill.

Chicago securities dealer reviews investment and business conditions, and, on the basis of data presented, holds there will be no real depression, but, on the contrary, business after a while will be better than it has been. Says, however, boom has reached its peak, and a large percentage of businessmen do not expect business in 1954 to be as good as in 1953. Following 1954, however, after adjustments have taken place, "we will enjoy a prosperity never before experienced."

About this time last year I was asked to talk on the prospects of business for 1953. At that time the market was gradually inching into higher ground—earnings were holding up nicely — and we had the implied promise of the new Republican Administration that costs of government would be cut and that in addition there would be a reduction in taxes. Farm prices had been gradually slipping—so had other price indices—since mid-1951, but Stalin was dead and all appeared right with the world, or at least the general feeling was that the Russians would do nothing rash but would try to consolidate their home position before venturing much farther in world matters. I was very bullish as to the future of the country. My own forecast was that the Dow Jones Averages might quite probably be at about the 325-330 level before the end of 1953, and would cross 300 in mid-summer.

Paul C. Kimball

Then came the Russian-Chinese offer of an exchange of injured prisoners. You all know what happened after that; headlines every day on the financial pages of the daily press; front page headlines, too, telling of contract cancellations; critical analyses, articles, feature stories in the major business magazines; opinions, predictions, sober warnings as to future trends; reassuring summaries of the reasons why business should again move upward after a "technical correction." Surely this was a time of confusion and uncertainty.

The reports are now coming in on results of 1953—certainly one of the best years for business in is the history of this country. It's hard indeed to spot any segment of the industrial community that did not set up a new high for volume or unit production or net after taxes for 1953.

Tonight I am placing myself with the group that looks with confidence to the next six months. I expect that business will be good. In other words, I am bullish. Regardless of what occurs at Berlin, I believe the American economy is going to give a good account of itself in the next six months. Yes, I will even go out on a limb and say I believe 1954 will be almost as good as 1953—perhaps better even than was 1952 —and we all look back on 1952 as a truly good year for business. I do not look for a renewal of an all-out, shooting war, and am hopeful that a real step toward peace can be negotiated with the Communist forces. I have faith in the decency of men and the power of a sincere urge to get along in this world.

All kinds of opinions can be found in the daily press. From some writers we learn that there are now some 2,400,000 unemployed—an increase of 600,000 from the low of 1,800,000. But, say the experts, the current trend is now in the other direction: fewer new applicants for relief are coming into the agencies currently than for several weeks past.

To highlight what some of the facts are I might say that most professional forecasters expect a mild economic decline in 1954. One widely followed survey turned up 31 out of 56 economists who looked for the rate of industrial output at the end of 1954 to be off less than 5% from what it was at the end of 1953, another 13 expected a decline of from 5% to 10%. "Fortune" magazine in its January issue predicted that Gross National Production would be down about 3% below 1953—that industrial production would be off about 6% and that unemployment—now at about 2 million — would not materially increase. This "Fortune" estimate would mean that 1954 would average about at the level of 1952 or about 20% higher than pre-Korea.

Of 300 economists attending the annual forecasting session of the American Statistical Association last December, a majority predicted a decline of but 5% from the 1953 gross national production of $365 billion.

No Real Depression

There does not appear to be any justification or support in the current business outlook for predictions of any real depression. The two imponderables in all the business equations are business and consumer psychology and politics. This being an election year I believe we may safely assume that the Administration will do what it can within the dictates of its conscience to see that what is done in the political field will favorably affect business and consumer psychology, and thus help the economic picture.

The National Association of Purchasing agents reports a reversal in the downtrend in industrail production. They predict improvement in the first and second quarters for both steel and automobiles. These are the two industries that accounted for nearly half the total decline in industrial production in the last months of 1953. Housing starts have also picked up. They are now at an annual rate of 1,150,000 units for 1954. There were 1,100,000 starts in 1953. Consumer demand is holding up well and all indices point to high consumer spending in the next few months, largely for such items as air conditioners, automatic washers, textiles, shoes, clothing, paper, oil products and products of the chemical industry—the synthetics, etc.

Even the farmers are finding rays of sunshine. Farm income was at least as good during the fourth quarter of 1953 as for the same quarter in 1952. It was up 1% in December and up another 1% by mid-January — the last time for which figures have been made available.

Business has drastically curtailed inventories during the last six months. This is a very favorable factor. For it would indicate that by the time the slowdown in production of some war goods occurs there will probably be a lively demand for consumer soft goods as well as hard goods, and other so called consumption goods, which will keep labor employed and the economy active.

The president of a large financing institution reported at a directors, meeting last Wednesday that, based on a survey of some 75 manufacturing, wholesale and retail firms scattered across the country, it was generally believed that while the business outlook is cloudy at the moment, indications are that the general business adjustment is merely one of working off inventories, that consumer spending is holding up very well, and that if it continues (and they believe it will) many companies will soon be rushing to the markets to stock up again—with resulting activity at the mills and factories.

I propose to pass on to you observations made to me by men in key positions in companies with national markets, and some of my own personal observations. The nature of my business as an underwriter of securities makes it imperative that I gather this kind of information. It is this fund of data, superimposed on that generally available in the market places, that has created my bullish conviction.

The Securities Outlook

Markets for securities are created exactly like markets for all other products. A seller must find a buyer before a transaction can be consummated. Price is arrived at by the seller agreeing to accept for his products what the buyer is willing to offer, or vice versa. And, as with the more tangible products that you sell, the price of stocks is subject to the emotions of both buyers and sellers. For instance, a person fearful of the future sells regardless of any marshalling of solid concrete facts. I have seen it done countless times. Again I say, the stock market axiom is "When in doubt—sell."

* * *

Business Will be Better Than It Has Been

An extremely simple analysis of the present business outlook would divide the so called authorities into two broad categories: those who feel that with the termination of fighting in Korea and the attendant cut-back in spending for munitions, and the end to the inflationary spending that came with the build up of the armed forces, there will be a serious decline in business and a depression with a very material increase in the unemployed; and there are those who are convinced that with the truce, and cessation of a shooting war, business will be better than it has been during the last two and a half to three years. I go along with this latter group. Actually, no news is more bearish than war news. You may recall that the beginning of the Korean War knocked down the stock indices a good round 26 points.

* * *

The Automobile Industry

Much is heard of a softness in the market for cars and that the volume of credit sales in this field has reached alarming proportions with a slump imminent. In the last fifteen months I have underwritten issues for two companies specializing in automobile finance. Both are now negotiating with large insurance companies to borrow additional new money on a subordinated debenture basis. The commercial banks with which these finance companies do business have also pledged additional bank lines conforming to the same ratios as now in effect. This new financing—the insurance company money plus the new bank borrowings—will make it possible for these companies to about double their present outstanding loans.

I want to make a point here of the fact that the ultra-conservative insurance companies and the banks do not fear for the success of these companies in 1954. Why? Because the potential volume of car paper that is good, backed by first class individual credit risks, is such that if these companies should take but one out of each three potential loans, they can lend the new money in just about the time necessary to process the loans. And these loans are on an 18 months to 24 months basis with the purchaser putting down in cash one-third of the purchase price. Here, again, I find optimistic management with no fears for the future.

The situation I have just described I find quite typical, and I am prompted to say that because of my intimate knowledge of five companies in the finance field, backed up by the intimate operating data and statistics of another dozen in this field. These companies cover all of the major trading centers of the United States. They are all looking forward to expanding business and increased profits. Yes, many are having some current trouble with repossessions. They have risen to a level higher than for several years. But a company reporting charge-offs for losses of but .32 of 1% on liquidations for the twelve months ending Dec. 31, 1953, is still in excellent shape. It is true that it is not too difficult to find companies with much greater losses. These are usually companies that are newcomers to the industry whose management is not skilled and whose path will always be rocky until they obtain the necessary skills; or which are sectional in operation, or those with such large volume that they can absorb large credit losses and more than offset them by volume and low costs of acquisition and service.

You have all read of how GMAC, the giant in this field, CIT Corp. and Associates Investment of South Bend have been borrowing money in the open market for anticipated expansions in business for 1954, at a rate but little above the rate paid by the U.S. Government. Certainly, therefore, the analysts and loan committees and trustees handling these millions of dollars of capital have no fears for the prosperity of the auto industry. Certainly, there will be hard times for some —that's competition. That's the American way of business life, but the American public, in this kind of economy, has achieved the highest standard of living the world has ever known.

As for the automobile industry *per se*, you are as aware as I of the statement made two weeks ago at the Waldorf Astoria by the head of General Motors. Think of it! General Motors plans to spend more than $1 billion in plant expansion in 1954 and 1955. The impact of that program alone is something to conjure with!

Grey iron foundries are by tradition in a feast or famine category. The feast usually comes with war. During any other period grey iron foundries usually suffer. The renegotiation act has, however, largely curbed the feast period. Companies in the grey-iron industry that I have investigated—companies with end products and not just job shops with a handful of employees—will unquestionably benefit over the next six months by any turn the economy may take. They have no conversion problem. They are getting orders for castings for peace-time products planned by their normal customers for the 1950-51 marketing year which were shelved so production could be stepped up on tanks, guns, radar equipment, etc. They are benefiting from orders from machine tool manufacturers, many of which have been so busy catching up on a war-induced backlog of special purpose machines that they have not had a chance to bring into production new, more efficient tools that were being readied for the market in 1950. Yesterday's "Wall Street Journal" told of two machine tool plants in Detroit making automatic machines — one a block long. I visualize castings, forgings, and gears—in staggering quantities.

Serious adjustments will be faced by some companies such as those that have been working on mine sweepers, ordnance, uniforms for the armed services, food for the armed services, etc., and the multitude of companies which have come into existence since June, 1950 to produce for war.

Some of the electronic companies will have their troubles, too. The companies that have been producing for government stockpile may face transitional problems too now that the government has largely satisfied its stockpiling requirements and the production that was being bought by government has had time in which to flow into the regular channels of industry. Copper, lead, tin and zine, rubber and wool, all have had appreciable price increases as a direct result of the Korean War, but are settling back to a more normal and competitive level.

Marginal operations are going to be hurt, but their well-being is not the basis of a long run stable economy for our country. As more basic commodities and raw materials settle to a truly competitive price level, prices of production goods as well as consumer goods will go down. Production costs will decline. We should then begin operating a long run stable economy. So, I say that even in the instances where a war industry suffers business-wise from termination of war contracts, the effect will not be serious in terms of the over-all economic point of view, since they will not have been of major influence in the total industrial output, and will not have weighed very heavily in the averages.

I have run across only a very few businessmen who are curtailing expansion programs for 1954. Most of them are typified by one plant president I know well who obtained approval of his board of directors for a $300,000 capital outlay in 1954 based on an estimated $500,000 net after taxes for 1953. Based on current operations (down from last year's peak because of a reduction in war contracts) he now revises his profits estimates, even with the elimination of excess profits taxes, to about $275,000. Nevertheless, within the last 30 days he has let contracts on the whole of the original program. He is confident that the next 90 days will have seen a reorientation of his company's operations and that his sales staff will have brought in more than enough orders for new products—products that have been lying on the shelf figuratively speaking during the last 30 months—to utilize fully the new facilities. It was for this purpose that the new construction was authorized. He is sorry that the expansion program was not begun six months ago.

* * *

A letter from the president of the largest bank in the Pacific Northwest just recently received, tells me that in his area they anticipate employment to parallel 1953, a record year for that area. Planned for the Puget Sound area alone in 1954 are:

$75 million refinery for Shell Oil.

$35 million refinery for General Petroleum.

$10 million refinery for Washington Processing Co.

$4 million gypsum plant for Kaiser Gypsum.

$5½ million increase in the Aluminum Corp. of America's plant in Vancouver, Wash.

*From an address by Mr. Kimball before the Adult Education Council class on Personal Money Management, Freeport, Ill., Feb. 2, 1954.

$16 million expansion of the Boeing plant.

$20 million pipeline for natural gas.

And new facilities by Weyerhaeuser Timber Co., Utah Oil Refinery Co., Carter Oil, and Union Pacific. There is also an imposing list of new power facilities in the process of construction or to be commenced in 1954 with a total kilowatt capacity of about 5,000,000 in the aggregate.

Forecasting Stock Market Action

In going about my business of underwriting, my company perforce must attempt to project the stock market action for at least four months in advance of any commitment. From the time we negotiate a deal to the time it is offered to the public, we must plan for a lapsed time of just about 100 days. When we execute an underwriting contract, we must have reached an understanding with the owners of the company whose stock or other securities are to be offered, as to price, yield, size of the offering, and concession to be paid for the sale of the securities. We must also set up a projection of the securities as related to the other countless investments available for the public in the open market as of a date 100 days in the future. The time lag is due to the fact that from experience, it takes that long to permit the preparation of necessary legal documents, audits, and clearance by the SEC and the various Blue Sky Commissioners. Therefore, with each underwriting it is necessary for us to make as careful an analysis as possible so that the offering will be a success. And it will be a success if we have properly forecast the market, since then it will be easy for us to obtain other securities houses as partners in the distribution. Their salesmen will have competitive merchandise to offer to their customers—competitive as to times-earnings ratios, yield, and appreciation possibilities. We cannot afford to spend time and money and effort on abortive attempts to sell issues, nor can we afford to be identified with offerings that don't materialize.

* * *

Summary

In summary, I am bullish on the future for business. I am a believer that peace is always a bullish factor and that war is bearish. I believe we are in a stage now where we may get a lessening in world tensions. The greater the international swing to a situation of stability, the less of our national production that will be siphoned off into a void. With a lessening of war tension will come an even greater retreat from government restraint and interference in business and a more appreciable drop in the costs of government itself. My market analysis indicates that the steps so far taken in that direction — the elimination of the E. P. Tax, the reduction in government spending, the general improvement in the general business climate, the judicious use of the Federal Reserve discount rate to curb speculation and inflation—all have their influence in laying the groundwork for a period of sound business growth.

We have been enjoying a boom for a long time—nearly seven years. It has probably reached its peak. The country as a whole could hardly be busier than it has been. In many lines, output has been limited not by orders but by the supply of raw materials, labor, or the capacity of the plant. Studies of consumers indicate that they expect to continue to buy new homes, major household appliances, and new cars at a rate greater than in 1951 and maybe as great as in 1952. Sales of gas for heating, and electricity for light and power are some 10% to 15% ahead of last year; most machinery and equipment producers have healthy backlogs with some significant increases in new orders for machine tools reported; businessmen are still planning to spend for plant and equipment to meet customers' demands; and the government bureaus report the nation's production of goods and services as running at an annual rate of $353 billion per year against actual production for 1952 of $346 billion, and for 1953 of $364 billion. Indications are that 1954 will not be quite what 1953 was. Whether business will be as now projected or not will in a large measure depend upon the psychological reactions of the American public to a return to a more normal business economy.

Information that I have been able to gather would indicate that a large percentage of businessmen do not expect 1954 to be as good as 1953, perhaps by 5%. Each of you undoubtedly has an opinion on this. My opinion is that any drop this year, 1954, would be by about 5% from the present level, by 10% at the most—but hardly more. Large backlogs of plant expansion are yet to be worked off; there will be a continuation of plant construction and of building in general; an increase in output of electrical energy, which increase will be immediately utilized by industry and householders. There will be an increase in manufacture of consumer goods, although in some specific fields there may cutbacks from present projected production before the end of 1954. This may occur in the automotive field and also in electrical appliances. Even then, sales will be at or near all time peaks.

As a stimulating factor to business, I see a possible cut in some of the excise taxes as well as the elimination of the excess profits tax as of January 1st last. This should more than offset the expected cut in defense spending. I also calculate that the cut in the individual income tax rates for 1954 will stimulate all types of consumer buying when the public has had a chance to gauge the temper of Congress and get a feeling of the direction that body is taking.

There may be a dip in business in the first half of this year. This will not be all inclusive, but its effect will unquestionably be felt. Any drop in business will be accompanied by an orientation and a changing of direction which should result in the establishment of a healthier economy for this country—a better one than it has experienced for more than a generation. If this occurs, and I believe it will, we shall be set for a period of industrial growth that should definitely increase our national wealth and all tangible values. Following 1954 and the adjustments I expect to see take place this year, I believe that we shall enjoy a prosperity never before experienced.

Recent Business Readjustments Helpful

M. S. Rukeyser maintains reduction in inventories, slowing-down in consumer credit and leveling-off of commercial loans is merely analogous to voluntary loss of weight by a fat man. Concludes good times in current "dynamic normalcy" depends on more vigorous selling.

Thus far in the economic adjustment, helpful corrections have been accomplished without impairing the index of consumer confidence, according to Merryle Stanley Rukeyser, economic commentator for International News Service and business consultant. Mr. Rukeyser spoke February 5 before the San Diego Club in San Diego, Calif.

Merryle S. Rukeyser

The National economy, in its transition from an overboomed inflationary condition toward dynamic normalcy has proceeded in accordance with the sage counsel of the late Paul M. Warburg, who said that the "way to avoid a bust is to sit on the bulge during a boom."

Since last fall the American scene has been correcting economic maladjustments through a reduction in inventories, a cessation in the rise of consumer credit and through a leveling off of commercial loans. Such shrinkage of activity and employment as was involved in the correction to date has been accomplished without reducing the index of confidence. In the circumstances, it is important to interpret with proper perspective the nature of the changes that are being recorded in current economic statistics. The shrinkage is comparable to the voluntary loss of weight by a fat man and should not be confused with loss of poundage by a person of average weight who was suffering from TB. It is time for management, labor and the public to exercise care in interpreting objectively the real significance of economic changes. This does not mean that there should be unwarranted optimism. The public is entitled to realistic appraisal of objective changes. The business leaders can set the tone by acting confidently, instead of running timidly to cover.

Selling Efforts Should Be Intensified

For a year or two, sensing the advent of a buyers' market after the boom, Mr. Rukeyser has urged a renaissance of selling, as contrasted with mere order taking. While more and better advertising is indicated as a means of extending job opportunities, mere idle talk is not enough. Advertising should alert customers to genuine visible improvements in products, better values, and should create a continuing sense of obsolescence in regard to old models.

Inventory cutting is based on recognition of the tremendous productive capacity of the U. S. —its ability to produce guns and butter, too, without any visible evidence of approaching shortages.

Good times in this new chapter of dynamic normalcy depend on more vigorous selling, better merchandising and more and better advertising effort.

In addition to inventory correction, the nation is fortunate in now bringing under control several other potent economic maladjustments: rising consumer debt and rising commercial loans; both of these have now leveled off.

If we are to turn this readjustment to good instead of evil, it is important that we should expose the efforts of demagogues who play politics with human misery and make capital out of misreading the economic signposts and preaching panic. Instead of being bad news, this readjustment is laying the foundation of a solid long-term growth and development based on the social urge to provide better living standards for upwards of 40 million American families.

This is far healthier and more durable than a boom based on war, fear of war, unbridled inflation or inflation itself.

President's Tax Reforms Favorable to Private Investment

By GEORGE TERBORGH*

Director of Research, Machinery and Allied Products Institute

Mr. Terborgh lists tax reform proposals offered by the President in the Budget Message and the Economic Report, and finds that with the exception of the proposed advancing of payment dates for the corporation income tax, all are favorable to private investment activity. Outlines advantages of proposals to increase depreciation allowances and to grant a tax credit to taxpayers on dividends.

I have been asked to discuss briefly the impact on private investment of the various tax reform proposals offered by the President in the Budget Message and the Economic Report. These proposals are of course numerous, covering many aspects of tax policy and administration, and I shall confine myself therefore to those with a direct impact on private investment activity.

George Terborgh

In this list I include the reform of tax depreciation, the abatement of the double taxation of dividends, the extension of the loss carry-back to two years, the grant of current deductibility to research and development expenditures, the shift to the government of the burden of proof in Section 102 cases, the liberalization of the tax treatment of income from foreign sources, the optional tax treatment for certain corporations and partnerships, and the advancing of the payment dates for the corporation income tax.

With the exception of the last-named item, the advancing of the payment dates for the corporation income tax, these proposals seem to me definitely favorable to private investment. Two of them are preeminent from this standpoint, the depreciation reform and the dividends credit. In view of the limited time at my disposal these are the only ones on which I shall comment separately.

Depreciation

The treatment of depreciation for income tax purposes has long been one of the major defects of our revenue system. We have what is probably the worst tax depreciation system of any major industrial country in the world.

Basically there are two defects to be remedied:

(1) Present practice enforces a retarded writeoff system and therefore a lagged tax-free recovery of capital.

(2) The adherence to original cost as the basis for depreciation after a period of inflation makes even an unretarded recovery deficient in real, or purchasing-power, terms.

The President's proposal for the allowance of a double-rate declining-balance writeoff is a reasonably satisfactory solution of the retardation problem. Since it is limited to assets acquired after Jan. 1, 1954, however, it does nothing to correct for past retardation on assets installed before that date. It does nothing, moreover, to adjust for the effects of inflation. This reform must await the future. That it is an important one is indicated by my estimate that future historical-cost depreciation on business assets now in existence will fall short by $70 billion in purchasing-power terms even if there is no further inflation from here out.

The restriction of the proposed reform to assets acquired after Jan. 1, 1954, which is of course discriminatory against assets acquired previously, can be justified only on the ground that the tax cost must be limited at the outset to what the budget can absorb. Certainly it is much better to make the reform available on hereafter-acquired assets only than not to effectuate it at all, and I am not disposed to be critical of the method chosen provided it is regarded as a first step in a program of greater scope. Limited as it is, it will afford a very substantial stimulus to private investment. It is a constructive move of major importance.

Dividends Credit

Here again we have a first step on a long overdue reform. There is legitimate difference of opinion on the desirability of a complete elimination of the double taxation of dividends, but few will deny the justification for going at least as far as the President proposes. This partial abatement of double taxation should increase the attractiveness of equity investment as against debt obligations and should exert a salutary stimulus to business risk-taking. I can only applaud it as a sound advance.

By singling out these two reforms I do not disparage the other proposals enumerated earlier. I repeat, save for the advance in corporation tax payment dates, they are very much on the credit side of the ledger from the standpoint of private investment. While the program does not go as far as I should like in certain respects, even as a starter, when due allowance is made for the necessity of proceeding slowly on reforms that cost substantial tax revenue, I think it should be commended. We should never lose sight of the fact, however, that it is a starter, not a terminus, to tax reform.

*A statement by Mr. Terborgh before the Joint Committee on the Economic Report, Washington, D. C., Feb. 8, 1954.

Arthur M. Krensky Co. Will Form in Chicago

CHICAGO, Ill. — Effective March 4, Arthur M. Krensky & Co., Inc. will be formed with offices at 141 West Jackson Boulevard, as a member corporation of the New York Stock Exchange. Officers will be Arthur M. Krensky, Exchange member, President; Alfred J. Bear, Vice-President; and Frederick V. Devoll, Jr., Vice-President, Secretary and Treasurer. Mr. Krensky has recently been active as an individual floor broker and prior thereto was head of Republic Investment Company, Inc. Mr. Devoll is executive Vice-President of Republic Investment Company.

Joins Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—James M. Sorenson has joined the staff of Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Getting the Saver to Own Shares in American Business

By G. KEITH FUNSTON*
President of the New York Stock Exchange

In calling upon all segments of the securities industry to join in the campaign to encourage the saver to own shares in American business, Mr. Funston urges greater emphasis on serving all investors, large and small, and, to that end, employ new techniques, such as the Monthly Investment Plan, recently authorized by the New York Stock Exchange. Reiterates need of tax law changes to restore incentive for equity investment, and holds saver can contribute to nation's welfare by acquiring a better understanding of his indispensable role in the economy.

Since assuming responsibility two and a half years ago for the operation of the great free market for securities which is the New York Stock Exchange, I have come to appreciate how little understood is the importance of the saver.

G. Keith Funston

We all know the importance of savings to the individual — for me at least the piggy bank is a vivid recollection of my childhood. But few Americans truly understand that the collective savings of our people have an even greater importance to our national strength and growth — to that miracle which we know as the American Way of Life.

The group here tonight has a common interest in the saver. Those of us in the securities industry spend our business lives helping to link the individual investor with the productive system. Our representatives in Government must continually evaluate the factors which best contribute to the smooth functioning of that system.

It is about the saver, what he does for us, and what we can and should do for him, that I should like to talk tonight.

Political cartoonists of the past like to depict the working man —the producer—in overalls and a cap, while they showed the investor, or saver, in frock coat and top hat. The consumer generally wore a business suit and derby. Few of us here have those three hats on the closet shelf—I know I haven't — yet almost every American today can boast, figuratively, of wearing the producer's cap, the saver's top hat, and the consumer's derby.

Our standard of living today is due in large part to our natural resources and to our modern and efficient industrial machine. These natural resources have been developed by the investment of past savings. Our plants and equipment have been provided by similar investment.

As surely as our high standard of living today is based on yesterday's savings and investment, so our standard of living tomorrow will be determined by the savings and investment of today.

Economic progress will require continuing heavy expenditure for capital investment if we are to provide new and better paying jobs, to create new and improved products, and to replace outmoded facilities. Expenditures for new plant and equipment will have to be maintained close to the present level of $28 billion a year and will even have to be increased to meet the needs of our growing population.

*An address by Mr. Funston at the Winter Meeting of the Association of Stock Exchange Firms, Washington, D. C., Feb. 15, 1954.

Savings in America

Before we consider where all this money will come from, let's take a look at present savings in America.

Today, there are an estimated 90 million owners of life insurance policies not counting government insurance. Some 53 million individuals have savings accounts and 43 million persons own Series E Bonds—10½ million Americans are covered by private pension plans—and shareowners total 8½ million, 6½ million of whom own stock in publicly owned corporations.

An estimated 90% of all families in this country, represented by 122 million individuals, have some form of savings or investment. Current savings are running at record peacetime levels—about 18 billion a year. This is clear evidence that the average American is wearing his top hat more often today than ever before.

Yet the saver in our economy has been America's forgotten man. The tens of millions who have chosen the promise of security as offered by savings accounts, bonds of all types, or life insurance policies, have watched their purchasing power devastated by the inroads of inflation.

From 1945 to 1952 the owners of life insurance suffered a loss in purchasing power of $81 billion on the face value of their policies. Since close to 80% of all families with life insurance had annual incomes of less than $5,000 in 1951, this loss was a serious blow to millions of Americans for whom life insurance must provide the cornerstone of financial security.

I wonder how many people are aware that since World War II the loss of purchasing power suffered by the holders of savings accounts and other time deposits was more than $21 billion.

It is gratifying to note that the decline in the value of the dollar has been arrested within the past year. It is to be earnestly hoped that the economic policies of the Administration and the Congress will prevent any further inflation.

Savers' Investment in Common Stocks

Now how about the more than 8½ million savers who have chosen to invest in ownership securities such as common stocks? How have they made out?

Since stock market averages have generally kept pace with the rise in the cost of living, it would appear on the surface that equity savers had not suffered materially from inflation.

No investor, however, can buy the stock averages. He buys individual securities, the prices of many of which have not kept pace with inflation.

A study made last fall of the market and book values of all common stocks listed on the Exchange disclosed that 62% were then selling at a price below book value, with 48% of these selling at a price of 20% or more below this figure.

Furthermore, an investor who selected an issue where price has kept pace with inflation finds that, when he sells, he is faced with a capital gains tax which will take away up to 25% of his gain even though he is no richer in purchasing power.

Discrimination Against the Equity Investor

The income of the equity investor has also not kept pace with that of certain other segements of the economy. In the 14 years since 1939, dividends have declined from 5.2% of national income to 3.0%, a drop of more than 40%.

Double taxation of dividends has greatly diminished the equity investor's "take home" pay. Of course, everyone has been hit hard by high personal income taxes — but only the equity investor has been hit twice.

What has been the effect on our economy to date of this neglect of the saver, particularly the discrimination against the equity saver? Admittedly, it has not caused the nation's house to collapse. Since World War II we have financed the greatest capital expansion American industry has ever had. But the foundation of the house is not as strong as we might wish for because new stock issues have played only a minor part in this capital formation. For every dollar raised in the postwar period by stock issues, industry raised $3.50 by debt financing and supplied $9.00 from retained earnings and depreciation reserves. To provide these capital funds industry found it necessary to double its debt and to reduce the percentage of earnings paid out in dividends from over 75% before the war to less than 50% today.

It should be pointed out that it is only established enterprises that have been able to finance expansion through increased retention of earnings and greater debt financing.

New and growing businesses have found it extremely difficult if not impossible to obtain the new equity capital necessary for growth.

Let me make it clear that our concern is not with corporate debt itself, for of course this type of security represents a sound and necessary investment medium. What we are concerned about is the danger of a capital structure topheavy with debt.

The soundness of debt securities, of course, depends upon the cushion of ownership capital beneath them. The millions of savers who through their ownership of savings accounts, life insurance and pension rights have an indirect interest in such debt securities—all have a vital interest in a broadened base of equity capital.

The shortage of equity capital in the postwar period is evidence that, in a free economy, capital flows into forms of investment where the reward is commensurate with the risk. It is axiomatic that adequate incentive for production, for consumption, and for investment are all essential to the proper functioning of a free economy. Take away the carrot and the donkey will sit down. Hold down real wages and the producer will balk; set prices too high and the consumer won't buy; tax incentive away and the investor will seek other avenues of investment.

Continued economic progress makes it imperative that the incentive for equity investment be restored.

Secretary of the Treasury Humphrey, in his recent testimony before the Joint Committee on the Economic Report, put it well when he said:

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

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

More Equity Investment Needed

The amount of equity funds required in our economy will far exceed the tax - devastated resources of higher-income Americans who have historically supplied the bulk of new equity capital.

New sources for such funds must be developed among the millions of Americans of middle income.

This then is the challenge, and the opportunity, before us—to restore incentive for equity investment and to tap new sources of such funds. The securities industry is ready, willing and able but needs assistance to do the job properly. We ask for no special favors. We do ask, however, for a square deal — for tax changes which will recognize the importance of the saver.

A serious deterrent to the saver considering investment in ownership securities has been the double taxation of dividends, first by taxation of earnings at the corporate level and, second, by taxation of dividends paid to shareholders out of the corporation's after-tax earnings.

This whole concept of double taxation came into our tax law not by design but as the offspring of a discredited experiment, the short-lived undistributed profits tax enacted in 1936. The orginal proponents of the undistributed profits tax did not intend any double taxation. However, as finally passed by the Congress, the bill taxed both distributed and undistributed earnings at the corporate level and, in addition, taxed distributed income in the hands of individual shareowners.

This taxation, which has been a problem only since 1936, is probably the most discriminatory feature of our tax laws, applying as it does only to dividend income from ownership securities. It does not apply to interest paid on corporate debt nor to the income earned by unincorporated businesses. It strikes directly at the corporate form of business ownership, the one form of ownership offering the greatest opportunity for small savers to share in America's growth.

False Concepts About Double Taxation

There are two totally false concepts about double taxation which must be eliminated if the problem is to be viewed objectively. The first is that relief from this tax is some sort of giveaway to stockholders who will be receiving taxfree income. Such a statement, either deliberately or through ignorance, avoids the heart of the problem.

The salient fact is that dividend income has already been taxed once—and at very high rates— before it gets to the shareowner. To permit what remains after taxes to be received by those owners without imposing a second tax is not a giveaway—it is simple justice.

The second false concept is that relief from double taxation would benefit only the wealthy. This is just not the fact. American shareowners number 8½ million. All these people will benefit and they represent a true cross-section of America. Thirty-two percent of them have family incomes under $5,000 a year and 76% under $10,000. Hundreds of thousands of them are retired people living on the income from invested savings.

The current proposal of the House Ways and Means Committee, by 1957, would relieve the group of shareholders having incomes under $5,000 of 78% of the tax on dividends which this group now pays.

If the Congress were to follow the lead of Canada and pass legislation providing partial relief from double taxation of dividends, it would greatly encourage modest investment in common stocks by millions of new investors. The present proposals, for example, would provide complete relief in 1955 from double taxation for a couple investing up to about $4,000 in common or preferred stocks. Multiply this sum by the millions of American families who are financially able to purchase stock and are responsive to financial incentive, and we will open up a vast new pool of needed ownership capital.

The enactment of these proposals would have a beneficial effect on the entire economy. As President Eisenhower said in his budget message, "This will promote investment, which in turn means business expansion and more production and jobs."

The Ill Effects of the Capital Gains Tax

Another of the taxes which does much to shackle the saver's will to venture is the capital gains tax in its present form. This levy penalizes the saver who risks his funds in equity securities and keeps our free markets from making their maximum contribution to the flow of capital into industry.

The capital gains tax makes it difficult for new and growing companies to obtain adequate equity funds.

The tax distorts the value of securities by discouraging the realization of gains and encouraging the realization of losses.

The tax impairs the liquidity of the securities markets by freezing present investors into existing investments and by discouraging new risk taking.

And the tax deprives the Government of hundreds of millions of dollars of revenue because the holding period is too long and the rate is too high.

The present arbitrarily long holding period has robbed capital of one of its most precious assets —its mobility. A cut in the required holding period to three months is one major step that can be taken to restore needed liquidity to our capital markets.

I repeat: reduction of the holding period would not be a tax reduction measure, but would increase Government revenues by encouraging transactions which just do not take place at all today. It is estimated that a cut in the holding period would increase the take of the Treasury from this tax by several hundred million dollars per year. It is hard to see, therefore, why this change should not be made, and made now.

A substantial cut in the rate of tax would likewise increase Governmental revenue by lowering the barrier which now blocks most investors from selling securities that have appreciated substantially. Here again the Government would benefit from getting a higher total tax revenue from a greater number of transactions.

Available Treasury figures indicate that the capital gains tax, as well as double taxation, is a tax which does not affect only the wealthy. Figures for 1950 show that 42% of all income tax returns reporting capital gains showed a taxable income under $5,000 and 74% of such returns were from persons with incomes under $10,000.

The Task of the Securities Industry

While changes in our Federal tax policies can provide a major stimulus to the flow of savings into ownership capital, the task of actually obtaining such funds through broadening the base of corporate ownership must fall primarily on the securities industry. It is my firm belief that our industry can do much to encourage the growth of one of the most powerful ideas of our time, Democratic Capitalism, the ownership of our means of production by millions more Americans.

This challenging concept of public ownership of industry — not through government but through individual investment — includes a broadening of corporate ownership not only through the addition of millions of new owners but also by increasing the holdings of today's small investors.

In furtherance of this objective the New York Stock Exchange is adopting as the theme of all its public relations activity in 1954 the simple phrase: *"Own Your Share of American Business."* We invite all segments of our industry to join us in presenting this idea to the public.

The objective of the entire investment community should be the ownership of a share of American business by every American who is financially able to assume the risks of common stock investment. To achieve this goal it will be necessary for the securities industry to put even greater emphasis on serving all investors, and to seek and utilize new techniques such as the Monthly Investment Plan, a program especially designed by member firms of the New York Stock Exchange for obtaining greater participation in equity investment by individual savers.

Incidentally, it was at my last public meeting with the Association of Stock Exchange Firms in St. Louis that the trial balloon was launched which eventually resulted in the Monthly Investment Plan. Now only three weeks old, this Plan has exceeded our expectations — there are already over five thousand plans in operation and it is estimated that 90% of these are plans of new investors. We think that the pay-as-you-go idea may make it possible, over a period of time, for hundreds of thousands of new investors to own common stocks.

We must, of course, remain fully cognizant of the responsibility of carrying out such a program. This involves the education of millions of American savers to the risks as well as the rewards of common stock investment. The importance of adequate liquid reserves for emergencies as a prerequisite to stock investment must constantly be stressed as must the necessity of obtaining full and complete information from a reliable source before investment.

If our economy is to achieve even greater miracles of mass production and mass consumption, we will need a constantly increasing base of equity investment. We will need to bring about mass investment so that production, investment and consumption are all equally shared in by all of our people.

In seeking this goal, Government can contribute by giving us more realistic tax laws. The securities industry can gear its machinery to the needs of the small investor. The saver, himself, can contribute by acquiring a better understanding of his indispensable role in our economy. If each of the three groups, Government, the securities industry and the saver, will work together, we can create for our nation an economic democracy as pervading and as potent as our political democracy, an economy in which most every American family can have a direct ownership stake in the dynamic future which lies ahead for our country.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market continues to absorb the securities that must find a permanent home. This is the result of the recent refunding, and, in spite of the concern about either an intermediate term or long-term issue for new money purposes in the not distant future, there is a good demand for nearly all issues. The undertone is favorable and this means that the technical position of the market is improving. Easy money conditions is the answer to the way in which securities that come into the market from time to time are being taken by investors.

There are a large amount of switches being made in the list, with the deposit banks the most important operators at this time. It is indicated that these institutions are continuing to lengthen maturities with the middle-term ones, with the recently offered 2½% due 1961 being the most favored issues. The longer end of the list is also acting well with reports that some of the smaller non-bank investors as well as pension funds are still the important buyers of these securities.

Business Conditions Under Scrutiny

The business pattern is becoming more important each day as far as the money markets are concerned because the trend of the economy is going to have a marked effect upon the course of interest rates. The statistics that are coming out seem to indicate that the so-called "rolling readjustment" aggravated by an inventory liquidation, has turned out to be something more severe than what had been expected not so long ago. There appears to be no doubt but what the Administration will move fast and take steps against the forces that might push the economy into a nose dive. One of the courses of action will be through the medium of the credit policy which will have an influence upon the money markets.

So far, there has been very tangible evidence on the part of Federal to keep the money markets on the easy side and there seems to be a strong feeling around that other measures will be taken to ease the credit picture if there is further deterioration in the economic situation. The more help that is given to the money markets should be reflected in the government security market with all sections of the list coming in for consideration with such a development.

Next Treasury Offering Debated

One of the big points of discussion in the money markets at the present time is the kind of financing the Treasury will do in the not distant future. There are still strong feelings in the financial district that a long-term government bond will be issued by the Treasury for new money. There is long-term money around, according to reports, and these funds could be used to finance in a modest way the new money needs of the Treasury. The buyers of a long-term government obligation would be mainly non-bank investors. This kind of financing would not create deposits and it might take funds out of the money markets that could be used for other purposes.

The Purchasing Power Viewpoint

On the other hand, there seems to be more opinions around among money market specialists than an issue other than a long-term one should be used to meet the new money requirements of the Treasury. It is pointed out that with the decline in business conditions, it is imperative to maintain bank deposits which are purchasing power. It would be more favorable to the economy if bank deposits were to be built up or increased. The sale of government securities to the commercial banks is one of the ways in which deposits are maintained and/or created. Because there is a downward trend in the economic picture, the boom is over and the fear of inflation has disappeared it would be more desirable, it is contended, to help and bolster the economy through the creating of bank deposits by the sale of government securities to the commercial banks.

Money Markets Deemed Receptive

Federal has put the money markets in a position to absorb new money financing by the Treasury and it would not take more doing to put the commercial banks in a position to supply these funds to the government without help from any other investors. Accordingly, if the issues that were to be used to finance the new money needs of the Treasury were to be tailored to meet the needs of the commercial banks, such as an intermediate term obligation, not only would it be well taken but there would be new deposits created which are purchasing power. The position of the economy at this time is such that new deposits should be a welcome addition to it, in the opinion of those who believe that the primary antidote to a decline in business activity is the injection of more money into the credit stream.

The 2½% due 1961 is still being bought by the commercial banks which means these institutions are absorbing the bonds which have been held more or less in temporary positions by dealers and traders. It is reported that some of the savings banks have been sellers of the recently offered 2½s, with the funds being used for tax exempt securities.

Two With A. W. Morris

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Wilbur A. Nichols and Thomas F. Nichols have become associated with A. W. Morris & Co., 9680 Santa Monica Boulevard, members of the New York and Los Angeles Stock Exchanges. Mr. Morris was formerly with Daniel Reeves & Co. Mr. Nichols was with J. A. Hogle & Co.

C. B. Johnson Joins Walter C. Gorey Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Cyrus B. Johnson has become associated with Walter C. Gorey Co., Russ Building. Mr. Johnson was formerly with Guardian Securities Corporation and prior thereto with Harris, Upham & Co. and Davies & Co.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

Stock dividends and increased cash payments by fire and casualty companies have dominated the interest of insurance stock investors over the past several months.

While annual reports and operating figures for the year just ended have attracted a fair amount of attention, most statements are in line with earlier expectations. To investors increased dividends or stock distributions represent more tangible evidence of successful operations than do small increases or decreases being shown in net profits.

One of the most encouraging features of the annual reports issued so far has been the large gains reported in investment income. The increases over 1952 have exceeded 10% in many instances, reflecting better returns from fixed income obligation, a well maintained level of dividend receipts and a larger volume of invested funds.

This gain in investment earnings comes on top of substantial increases attained in previous years and is believed to be the most important factor in the larger dividend payments now being declared.

Historically, dividends equal to about 70% of investment earnings have been distributed to stockholders. The balance together with underwriting profits, when realized, have been retained to augment capital funds and provide for the growth of the business.

In recent years the large increase in investment income combined with conservative dividend policies have meant that the percentage distributed to stockholders has been considerably less than the historical percentage. In some cases less than 50% of earnings has been paid out. Recent and prospective dividend payments may increase the cash distribution but most payments remain conservative in relation to investment earnings and past standards.

Among the larger insurance companies to increase their dividends to stockholders within the last several months, either through cash or stock declarations, are the following:

The **Hartford Fire Insurance**, subject to stockholders' approval at a meeting on Feb. 25 will pay a 25% stock dividend to holders of record March 26. It is the intention of the company to continue paying cash dividends at the rate of $3.00 a share on the increased shares to be outstanding. This is the same rate as has been maintained for the past several years. After adjusting for the stock dividend the former dividend would be equivalent to $2.40 a share as against the $3.00 to be paid in the future.

The **Insurance Company of North America** paid a 20% stock dividend on Dec. 31, 1953. Last June the quarterly rate was increased from 50 cents to 62½ cents and the last payment of 62½ cents made Feb. 1 indicates this payment will be maintained on the increased shares now outstanding.

The **Continental Insurance Company** and the **Fidelity-Phenix Fire Insurance Company** both raised their quarterly rate from 65 cents to 75 cents last week. This would indicate that total payments for 1954 will exceed the $2.95 a share, including an extra of 35 cents, paid by each company in 1953.

The **American Insurance Company of Newark** also recently increased its cash payment to stockholders. A semi-annual payment of 60 cents was declared on Feb. 11 indicating a total dividend this year of $1.20 a share as against the $1.10 distributed in 1953.

Last week **Pacific Indemnity** declared a stock dividend of 20% payable to holders of record March 15. The company has been paying quarterly dividends of 75 cents a share for the past several years and indications are that a rate close to this will be declared on the new shares.

Pacific Fire increased its quarterly dividend within the last month. The current rate is 85 cents a share as against the 75 cents previously paid. On this basis payments for 1954 would total $3.40 a share as against the 1953 distribution of $3.00.

The **U. S. Fidelity & Guaranty** has declared a stock dividend of 10% payable April 15 to stock of record March 17. Last year the company paid a similar stock dividend and maintained the quarterly cash payment of 50 cents a share on the larger capitalization.

A number of other fire and casualty companies have taken action to enlarge the cash dividends received by stockholders. In view of the favorable investment results achieved last year, we would expect additional companies in the coming weeks to increase their dividends.

With Norris & Hirshberg

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Robert L. Webster is now affiliated with Norris & Hirshberg, Inc., C. & S. Building.

Joins Ferrell & Ferrell

(Special to THE FINANCIAL CHRONICLE)

GRAND JUNCTION, Colo. — Kenneth Horne has become affiliated with Ferrell & Ferrell, 411½ Main Street.

Farm Policy and Farm Surpluses

By ARTHUR MOORE*
Vice-Chairman, NPA Agriculture Committee;
Washington Bureau, McGraw-Hill Publications

Mr. Moore finds women react to high supported consumer prices as irritated housewives, not as Republican party workers. Concludes main problem is to put surpluses to work without harm resulting from outright, or even disguised, "dumping."

Shortly after President Eisenhower sent his farm recommendations to Congress, a group of Republican women in Fairfax County, Va., asked me to tell them what I knew about it. These were active party workers—typical of the new station wagon set in politics. They helped elect a Republican to Congress in 1952, and are making plans to repeat next November. I naturally assumed they were interested in the political effect of the Eisenhower proposals: whether they were likely to gain votes or lose votes for the Republican candidates. This was a mistake. They were interested in the price of butter.

I found myself talking, not to Republican party workers, reacting politically to their party's price support ideas, but to irritated housewives. They were resentful of high price supports, mounting surpluses, and the whole long controversy which seemed to be rolling on toward new bitterness.

Was their reaction to the Eisenhower program typical? A growing number of lawmakers think so. There is a good deal of cloakroom talk among Congressmen about the importance of doing something to allay the irritation of urban voters. Urban-minded columnists are picking up the same line, with enthusiasm. The Alsops report that Dr. Milton Eisenhower, the President's brother, advised the White House that the present system of supports was heading toward outright collapse due to the high level of supports.

On the other side, members of Congress from farm areas are lining up as solidly as ever on the side of continued high supports—90% of parity, instead of the flexible system recommended by Eisenhower. This backing for 90% of support is solid. It is based on a sincere concern for the economic plight of farmers, who have been caught in a long period of declining prices. It is expressed in a number of legislative proposals, ranging from straight continuation of 90% supports, to plans for raising the range of flexible supports. These suggestions come up from people in close touch with current farmer opinion and from members of both parties.

Basically, the Eisenhower recommendations go back to the flexible price support system, first voted into law by the Republicans of the 80th Congress. The idea here is to lower price supports gradually, as surpluses mount.

The President also recommended adoption of so-called modernized parity, which would result in another price-support decline for many politically potent crops.

Both of these ideas have been on the books five years, now. But Congress has never shown any desire to put them into active operation. It has gone on postponing their effect in favor of rigid, 90% supports on the basic crop. Eisenhower simply said: The time for postponement is almost over.

A Special Reserve

The President did not offer Congress a novel way of temporarily avoiding sharp drops in the support levels. He suggested that the present huge surpluses be reduced by setting aside $2.5 billion worth in a special reserve. By definition, this special set-aside would simply be labelled "not surplus." It would be used for disaster relief, school lunches, and foreign aid — but always outside the normal channels of trade. In his press conference to explain the Administration program, Secretary of Agriculture Benson was not too clear on just how this special reserve would be disposed of. Creation of the reserve would mean that the present high support levels could be continued at least for a time. So this part of the Eisenhower program has a good chance of adoption.

None of this interested my Fairfax listeners too much. They were inclined to brush past the political maneuvering. But they came back again and again to something they could not understand.

Why, they wanted to know, should we look on agricultural surpluses as a visitation of devils, when—in a world that is always hungry—this would seem to be really a visitation of angels? They were saying that we had gotten our wires crossed somewhere; that in an uneasy international situation, surpluses should somehow be put to work on our side.

Several had noticed the Administration's idea of using some of the proposed special reserve abroad. But the difficulty of doing this outside the normal channels of trade had not occurred to them. This was natural. The Administration did not stress it either.

As a matter of fact, here is the most original and the boldest part of the Eisenhower farm program. But the Administration failed to dramatize it. As already mentioned, Secretary Benson rather slid past the whole concept in his press conference. But if the reaction of this Fairfax County group is typical, it offers a popular line of activity.

This group did not go to the extreme of saying that they would accept high support levels if the resulting surpluses could be put to some useful international purpose. But some of them came close.

The top policy makers of the National Grange, when they met in Washington recently, put a high priority on the idea of stimulating overseas use of surpluses. They think even flexible price supports might leave U. S. cotton and wheat, for example, overpriced on the world market.

The Goal of Surplus Without Dumping

The difficulty is to put surpluses to work without the harm that would surely result from an outright, or even a disguised, dumping program. A formula to achieve this is being sought.

Tucked away on page M-58 of the President's budget message—not in the farm proposals at all—are three paragraphs which cautiously approach the problem. Here the President said he would ask authority to dispose of $1 billion worth of agricultural surpluses over a three-year period, to strengthen the economies of friendly countries.

Behind this vague language is a slowly developing concept. State Department experts who long have opposed anything that smacked of dumping are coming to believe that it is possible to work out an acceptable procedure. The plan involves a special use of our surpluses to finance wealth-producing projects in underdeveloped countries that otherwise would not be constructed for years. By going far down the list of projects, and picking some that are not anywhere near the construction stage through "normal channels of trade," the dumping stigma might be avoided. Oversimplified, this is what a few experts in the Administration are thinking about.

Their thinking was not crystallized when either the farm program or the budget message was prepared. But over the next six months, it is likely to be heard from in more precise terms. If so, it will be good news to the type of consumer I visited with in Fairfax County. And it might even emerge as the most challenging of all the new Administration's farm ideas.

*A statement by Mr. Moore in "Looking Ahead," a monthly report by the National Planning Association, Washington, D. C., February, 1954.

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Prospects of Plant and Equipment Investment

they include companies which typically account for almost two-thirds of business investment in new plant and equipment. Hence their experience indicates that there is a quite general extension of longer range planning of capital investment.

There are, I believe, other substantial reasons for anticipating that actual capital investment by business in 1954 will again come pretty close to what our surveys show to be planned. One reason is that there is still some backlog of orders for capital equipment (as opposed to new orders) although it has been declining.

Another element which gives strength to the plans for capital investment is the strong financial position of business. In depreciation allowances alone we estimate that manufacturing companies will have about $6.8 billion in 1954, or 60% of the $11.4 billion they plan to invest in new plant and equipment. In this connection we discovered through the survey of investment plans we made a year ago that it is the policy of 85% of the manufacturing companies to spend all of the funds they accumulate through depreciation allowances. This is a fact which would seem to add an important element of strength to depreciation allowances as a force to sustain capital investment.

It is hard to envisage a business decline so severe that between their depreciation allowances, their retained earnings and their borrowing capacity manufacturing companies, **as a whole**, would lack the funds needed to carry out their investment plans for 1954.

The reference to manufacturing companies as a whole, however, obscures a weakness in the capital investment outlook to which I have already made reference. It is that the smaller companies are not keeping pace with the larger companies. One reason seems to be that their profits have not been as good as those of the large companies. Also, they don't seem to have shared as fully in the defense program and hence the accelerated depreciation arrangements used to encourage investment in defense facilities.

Although it has not taken place thus far, it is also possible, of course, that there will be some downward revision of investment plans in the light of sales prospects which have become less glowing since the plans were made. There was some downward revision in the 1949 business recession, but it did not prevent actual investment in that year from equalling that which had been planned because investment in the first half of the year held up so well. It is entirely within the realm of possibility for a similar situation to develop this year.

It is also within the realm of possibility for the actual investment this year to exceed that which has been planned. This possibility is strengthened by the clearly established tendency of plans for investment over a period of a year or more ahead to overlook a considerable amount of investment which it subsequently develops is needed. How these and more cross-currents will finally work out only time can tell.

In the meantime, I am sure that it can be safely asserted that an important element of strength in the general economic outlook for the year 1954 is provided by the fact that business is planning a level of investment almost as high as that for 1953, when all records were broken, and has in sight the financial resources to make the investment feasible. The plans, however, indicate that the trend of investment through the year will be downward, and that for smaller companies this will be a sustained trend.

In our surveys of capital investment we have endeavored, with increasing success, to get some idea of the dimensions of capital investment plans over a series of years ahead. A year ago we surveyed plans for the years 1953 through 1956, and this year will carry the survey a year further, through 1957.

As would be expected, the plans for investment fall off as we go further into the years ahead. But what is remarkable is that so much investment is planned for the coming years. The survey we made early in 1953 showed that industry as a whole (exclusive of commercial establishments) had preliminary plans to invest almost 80% as much in 1956 as it planned to invest in 1953.

In making plans for such large investment over the years ahead, one of the things industry is hoping to do is catch up with a process of modernization which has lagged in recent years. We ask the companies which cooperate in our surveys how much of their capital investment will be for modernization and how much for expansion of facilities. A study of the returns indicates that plans for modernization have been skimped to accommodate great expansion, such as that called for by the Korean crisis.

How much needs to be done to modernize our industrial equipment is underlined by the results of an inventory of our stock of machine tools and metal-forming equipment which was recently completed by "American Machinist," a McGraw-Hill magazine. This inventory disclosed that more than half (56%) of this equipment, which is our most basic industrial equipment, is over-age, and that the situation has become worse since the start of the Korean war. To put our industrial establishment as a whole in first class condition we estimate very roughly that somewhere in the neighborhood of $125 billion of investment would be required. this is 25% of the $500 billion estimated by the Machinery and Allied Products Institute as the present value of all industrial plant and equipment now in place.

Our surveys indicate that since 1939 manufacturing capacity in the United States has been somewhat more than doubled. The detailed figures which, so far as I know, are the best figures extant on industrial capacity are given in the accompanying tabulation:

INDEX OF INDUSTRIAL CAPACITY (1939=100)

	1946	1948	1950	1951	1952	Planned 1953	Planned 1956	Percent Increase 1951-1952	Percent Increase 1952-1953	Percent Increase 1953-1956
Steel	112	115	126	130	140	146	147	8	4	1
Machinery	154	200	236	271	304	331	371	12	9	12
Electrical machinery	175	280	325	354	400	452	560	13	13	24
Automobiles	104	130	153	170	196	210	235	15	7	12
*Transport equipment	243	250	288	328	423	503	553	29	19	10
Food	117	135	143	152	157	163	178	3	4	9
Chemicals	172	250	293	322	357	393	479	11	10	22
Petroleum refining	123	160	178	185	194	204	218	5	5	7
Other manufacturing	109	120	133	141	148	155	166	5	5	7
All manufacturing	131	156	175	187	204	218	238	9	7	9

*Including aircraft.

This table suggests that there will be some slowing up in the growth of industrial capacity in the years immediately ahead. If, however, it were possible to realize anywhere near the potential of investment for modernization, the process would fill any gap left by less investment for expansion. Thus it would be possible to sustain the high level of investment which is regarded by many as a key ingredient of a high level of general prosperity.

Whether investment for modernization will come to have the same attractiveness as investment for expansion remains to be determined. There are many who are inclined to doubt it. What happens here, of course, will depend in large measure on decisions in the realm of economic policy for which my statement is designed to provide some factual framework.

Pike With Brush, Slocumb

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Howard T. Pike has become associated with Brush, Slocumb & Co. Inc., 1 Montgomery Street, members of the San Francisco Stock Exchange. Mr. Pike was previously cashier for McNear & Willard.

2 With Hannaford, Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Harry A. Harper and Myron L. Fairchild have become associated with Hannaford & Talbot, 519 California Street. Mr. Harper was formerly with Stone & Youngberg for many years. Mr. Fairchild was with Hill Richards & Co.

With Wallace Bouden

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—James E. Hudson has become affiliated with Wallace Bouden & Co., 219 Carondelet Street.

With F. I. F. Management

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Charles L. Gremmels has been added to the staff of F. I. F. Management Corporation, 444 Sherman Street.

Revel Miller Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Don P. Mitchell has joined the staff of Revel Miller & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange.

With First California

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Arthur C. Hoelck has become associated with First California Company Incorporated, 625 Broadway. Mr. Hoelck was formerly for many years with McCormick & Co.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Appointment of Harold J. Connell as an Assistant Vice-President and Mrs. Doris Shearer Kae as an Assistant Secretary of **Manufacturers Trust Company, New York** was announced on February 23 by Horace C. Flanigan, President. Both Mr. Connell and Mrs. Kae are officers in the bank's Personal Loan Department.

Mr. Connell joined the Chatham Phenix National Bank in 1931 and came to Manufacturers Trust at the time of the merger of the two institutions in 1932. He was advanced to Assistant Secretary in April, 1953.

Mrs. Kae came to Manufacturers Trust in 1935 as a Secretary in the Personal Department. Later she was advanced to Assistant Division Head. Mrs. Kae will be in charge of the Accounting Division of the Personal Loan Department.

The appointment of Mr. Henry G. Waltemade, as a member of the Advisory Board of the Real Estate and Mortgage Department was also announced on Feb. 25 by Mr. Flanigan.

* * *

Chemical Bank & Trust Company, New York has elected Selden T. Williams to the advisory board of its 50 Court Street (Brooklyn) Office, it was announced on Feb. 23 by N. Baxter Jackson, Chairman.

* * *

E. Chester Gersten, President of **The Public National Bank and Trust Company of New York,** has announced the appointment of Edwin L. Emery as Vice-President. Mr. Emery, formerly an Assistant Vice-President, is in charge of the bank's Accounts Receivable Loan Department at Main Office. Other promotions announced were: Henry J. Dengel and George R. Montgomery to Assistant Vice-Presidents from Assistant Cashiers at Main Office and Arthur Rudolph to Assistant Vice-President from Assistant Cashier and William A. Brindley, Jr. to Assistant Cashier from Credit Supervisor, both at the Midtown Office at 7th Avenue and 39th Street.

* * *

Arthur S. Kleeman, President of **Colonial Trust Company, New York City,** announced that the bank's Directors today voted to add $200,000 to Surplus, by a transfer of that amount from the institution's Undivided Profits.

* * *

Conrad Tasch, an employee of the **Lincoln Savings Bank, Brooklyn, N. Y.** was honored at a luncheon tendered him by the officers and a group of Trustees of the Bank upon his completion of 25 years' service with the Bank. John W. Hooper, President of the bank, presented Mr. Tasch with a gold watch appropriately inscribed. On the hand to welcome the new quarter century club member were Erwin Bortscheller, President and Frederick Seifering, Vice-President of the Lincoln's 25-year club which now has 53 members, 18 of whom are retired.

* * *

William W. Post, Vice-President and Secretary of **The County Trust Company in White Plains, N. Y.** and E. J. O'Neill, Assistant Vice-President, completed 30 and 25 years of service, respectively, last week.

Associated with the bank's main office, Mr. Post started as auditor, was first elected an officer in 1926 and has held his present position since 1950.

Mr. O'Neill, currently in charge of the Mamaroneck office, was first a messenger in White Plains.

* * *

The **Citizens Northern Valley National Bank of Englewood, New Jersey,** effective Feb. 10 increased its common capital stock from $540,000 to $648,000 by sale of new stock.

* * *

Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, The First National Bank of Chester, Pennsylvania, Chester, Pennsylvania, and **Clifton Heights National Bank, Clifton Heights, Pennsylvania** merged under the charter and title of Fidelity-Philadelphia Trust Company. Branches were established in the former locations of The First National Bank of Chester and Clifton Heights National Bank. The two branches formerly operated by The First National of Chester, one in Chester and one in Marcus Hook and the one branch formerly operated by Clifton Heights National Bank in Clifton Heights, will be operated as branches by Fidelity-Philadelphia Trust Company.

* * *

The Winters National Bank and Trust Company of Dayton, Ohio increased its common capital stock from $5,000,000 to $7,000,000 by sale of new stock, effective Feb. 15.

* * *

The Old National Bank in Evansville, Indiana increased its common capital stock from $1,200,000 to $1,500,000 effective Feb. 11. $240,000 of the increase was made by a stock dividend and $60,000 by sale of new stock.

* * *

Albert L. Ritt, President of **The Midway National Bank of St. Paul, Minnesota** died on Feb. 13.

* * *

The common capital stock of **The Farmer's National Bank of Danville, Kentucky** was increased from $100,000 to $200,000 by a stock dividend, effective Feb. 10.

* * *

Florida Bank at Orlando, Orlando, Florida, has converted into a national bank under the title of **The Florida National Bank at Orlando,** effective Feb. 10.

* * *

Dr. Watrous H. Irons of Dallas has been named to the post of President of the **Federal Reserve Bank of Dallas** effective February 15, J. R. Parten, Chairman of the Board of Directors of the Federal Reserve Bank, announced on Feb. 18.

Dr. Irons, a Vice-President of the 11th District, Federal Reserve Bank, since April, 1946, succeeds R. R. Gilbert, Federal Reserve President for 14 years who retired Sept. 1, 1953.

The selection of Dr. Irons to the important banking post has been approved by the Board of Governors of the Federal Reserve System in Washington.

* * *

By the sale of new stock the **Continental National Bank of Fort Worth, Texas,** increased its common capital stock effective Feb. 15, from $1,750,000 to $2,000,000.

* * *

The common capital stock of the **First National Bank in Grand Junction, Colorado** was increased from $200,000 to $300,000 by a stock dividend effective Feb. 11.

* * *

The Security-First National Bank of Los Angeles, California, increased its common capital stock from $30,000,000 to $37,500,000 by a stock dividend effective Feb. 10.

* * *

Required approval for the proposed merger of the **Desert Bank** with **Citizens National Trust & Savings Bank of Riverside, California** has received from the Comptroller of the Currency in Washington, D. C., it was announced in a joint statement by O. A. Torgerson, President of the Desert Bank, and Elden Smith, President of Citizens, on Feb. 15.

Approval of the stockholders of both banks, which must be obtained before the merger is final, will be sought at meetings to be called in the near future.

If the consolidation is completed, the combined bank will have a capital structure of some $8 million, total deposits of over $120 million, total resources of over $130 million.

The Desert Bank has offices in Palm Springs, Cathedral City and Indio. Citizens offices in Riverside and San Bernardino counties now number 13. A 14th office of the bank, the Security office, was consolidated with the Riverside Main office on Feb. 15.

Citizens National Trust and Savings Bank of Riverside, closed its books Feb. 15, on the capital stock issue recently offered, it was stated in an announcement on the same day by Elden Smith, President.

"The sale of 35,000 new shares has been completed," Mr. Smith said, "resulting in an increase of $1,330,000 to the capital funds of the bank."

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J. D. Leitch and James A. Richardson have been elected Directors of **The Canadian Bank of Commerce, Toronto, Canada.**

Educate Public on Sound Money: Reese

President of the American Bankers Association says banks should "sell" their communities through an active educational effort on broadened bank services and the advantages of sound money.

Everett D. Reese, President of the American Bankers Association, told the mid-winter Trust Conference in New York City on Feb. 9, that banks should "sell" their communities on broadened bank services and the advantages of sound money, through an active educational effort. Mr. Reese is President of the Park National Bank of Newark,

Everett D. Reese

Newark, Ohio. "Almost all the world is suffering from a creeping bureaucracy, creeping paternalism, creeping socialism; and the natural result of those things is creeping inflation," Mr. Reese asserted. "In this country, we have been going down the same road for the last twenty years; and it is hard to tell which came first: whether the powers began to force this sort of thing on the people or whether the people asked for it. At least today we know that the people are demanding things that are taking them in that direction. They want more and more from the government, and the government has been assuming more responsibility for them as the years go along. All of this takes more money and leads to more inflation.

"Yet we know that if our country's business life is to have a solid foundation and if we are to continue to grow and prosper, we must have a sound dollar," Mr. Reese said. By sound dollar, I do not mean deflation and the return to the dollar purchasing power of 1940. What I do mean is the preservation of the current purchasing power of the dollar. In simple terms, sound money is a dollar that has the same purchasing power today, tomorrow, next week, and next month. It is a dependable dollar.

"Sound money can be achieved, however, only through the elimination of inflation. Gradually the Federal budget must be brought into balance. Sound money cannot be assured until that is done, and a balanced budget in turn will require a willingness on the part of many segments of the population to stop seeking benefits for themselves from the Federal Government.

"Thus, our ability to maintain a sound dollar will hinge in large part on public opinion and public action. The American people must want and work for a sound dollar before it can be attained. I believe that the present Administration is making honest efforts to stabilize the purchasing power of our dollar; but in the end its success or failure will hinge on what the people want.

"This places a huge responsibility on us as bankers. It is up to us to provide individual leadership of the highest type, not only by increasing the usefulness of bank services to our 100-million customers but by active educational effort on behalf of sound monetary policy. Our decisions as a nation can never be wiser than our understanding of the problems facing us, and surely the need for wisdom and care has never been greater than today. After all, national security and national solvency are identical because one is impossible without the other.

"We should help to inform the people of what 'sound money' means to them—personally and individually—and then we must do our share by actively pressing the sale of United States Savings Bonds, for certainly the sale of Bonds is important in actually attaining sound money. To the extent that they keep the government debt out of the banks and place it in the hands of the public, Savings Bonds are a brake on inflation. They are part of the answer to the man who asks: 'What can I do about inflation?'"

Emphasizing that banking's increasing responsibilities have made it imperative to attract the best talent into the field, Mr. Reese said: "It will take real bankers to maintain a strong banking system and carry on the high standards of bank management. Adequate salaries and opportunities for the future will help us attract the highest caliber of people into the field; but, beyond this, we must train for leadership with sound educational programs. Real training courses should be carried on in small banks as well as large and should cover all phases of the banking business, not just daily employee routine. It is important to have just as high a level of competence in banking as in industry. We must remember that it is people who accomplish—not systems, nor institutions, nor rules.

"Along with their own training programs, banks should encourage and take advantage of the wonderful educational facilities of the ABA and other banking organizations. We in banking have available the best adult educational system in the world, and it is encouraging to note that a substantial proportion of all those engaged in banking are now making use of some of that system. Over 100,000 bank people are now members of the American Institute of Banking. Almost 5,000 bankers have already completed the difficult courses in the various schools on the graduate level—The Graduate School of Banking, Central States School, School of Banking of the South, and Pacific Coast School. In addition, there are a number of state schools; and others are being organized. But we must remember that there can never be too much education.

"We have a great opportunity to strengthen the system of private banking which has helped to build this country and spread the benefits of our great production and distribution to the masses of the people. We will strengthen that system if we meet with foresight and intelligence the challenges that lie ahead. We must recognize banking as a risk business that should function adequately in bad times as well as good. We must learn to conduct our affairs without calling on the government for assistance. It may be that we will have to grant more credit during times of adjustment rather than being so concerned with the restriction of credit. In order to accomplish this, we are going to have to view banking on a 'long pull' and constructive basis."

Mr. Reese told the trustmen that there is a huge untapped market for their services, just as there is a great opportunity for banks to provide other services that the public wants and needs. "People want the services we have to offer, and they are willing to pay a fair price for them," he said. "Profitable operation is extremely important if we are to make banking an attractive place for new capital and an attractive career for intelligent and competent people. Both of these factors are major concerns in enabling banks to grow in line with the population and economic growth of the nation.

"By having strong leadership, we can be confident that chartered banking will continue to play its large role in the business affairs of this country in such a way that the people will be our friends because they have been well served. This is the intelligent way to preserve and extend the system of chartered banking."

Form D. G. Rosenblat Co.

SAN FRANCISCO, Calif.—Ronald E. Kaehler, President of the San Francisco Stock Exchange, announces that Messrs. Daniel G. Rosenblat and M. S. Huberman have formed a limited partnership under the firm name of Daniel G. Rosenblat & Co., effective Feb. 23, 1954. Mr. Rosenblat, who has been a member of the Exchange since October, 1952, will be a Specialist-Odd Lot Dealer on the Floor of the Exchange. The offices of the firm will be located at 57 Post Street.

Halladay to Admit

Benjamin V. Harrison, Jr., member of the New York Stock Exchange, on March 1 will be admitted to partnership in Halladay & Co., 14 Wall Street, New York City, members of the New York Stock Exchange. On February 28, Louis Neilson, member of the Exchange, will withdraw from the firm.

James M. Davies

James M. Davies, San Francisco, partner in Reynolds & Co., passed away on Feb. 15. Mr. Davies for many years was head of Davies & Co. and its predecessor Davies & Mejia.

Continued from page 5

Observations . . .

yielding, but price doubling and trebling, life insurance stocks in recent years?

Double Anticipation

The predication of the estimated future yield on past yield overlooks the fact that the size of the past return was influenced by anticipation of the future, and that this anticipation may have since become realized. Thus, below-average yield may have been caused by the public's correct anticipation of the company's growth; but after such growth has actually and terminally occurred, it is not logical to capitalize the present price of the now growth-less stock at the former growthy yield.

Although Mr. Genstein deprecates forecastability, and believes his suggested techniques avoid it, his formula method actually implies forecasting. For not only is prediction necessary in the estimation of earnings, which is properly basic in any method of appraisal, but also assumptions must be made about a management's dividend policy, as well as the public's valuation of the dividends which are actually paid.

* * *

The other volume before us is a new investment handbook, **YOUR INVESTMENTS, by Dr. Leo Barnes** (1954 edition, American Research Council, 11 East 44th St., New York 17, p. 94, $3). This is a *how-to* book for the expert as well as the lay investor. In fact, much of the simply written content is surprisingly sophisticated. While no magic key is provided, there are a wealth of worthwhile observations on the following important current facets of investment activity: "How to get started on your investment plan," "To what extent should you let others invest for you?", "How to choose a mutual fund," "What other types (than common stocks) offer profit opportunities?", "How to profit through market swings," "How to decide when to sell securities," How to handle your stock transactions."

One manifestation of the author's objectivity is seen in his arrangement of setting forth the respective pros and cons on each topic. For example, in discussing advisory services, he first lists their advantages, as objectivity and low cost; and then follows by pointing out the alleged drawback that one service is likely to lead to another. In the case of preferred stocks, after listing their advantages, he points out that this investing vehicle shares the common stock's risk but without the gain potential. In the case of municipal bonds and other tax shelters, the author first cites their good safety record and high after-tax net yield; which factors he objectively follows with emphasis on the drawback of illiquidity and uncertain markets.

And, coincidently, in this work Dr. Barnes gives Formula Planning the two-edged treatment. As the "pros" he cites "the fifth freedom:—freedom from worry; insurance of cash to take advantage of market downswings; and release from the foibles bound up with ordinary market psychology. On the "con" side are listed: the cutting of profits as well as risks; the lesser benefit in rising than in declining markets; their poor protection against inflation; and their making for loss of income through the curtailment of dividend income during rising markets.

* * *

While both of these volumes in their honesty abstain from "giving all the answers," they can be highly serviceable in improving the investor's "playing by ear," and, at the very least, in clarifying his constructive goals.

Railroad Securities

Missouri Pacific

The proposed examiner's report on the Missouri Pacific reorganization plan was released around the middle of last week, marking completion of one more step (whether forward or backward is a moot question) in this interminable proceeding. Practically all Missouri Pacific System securities, with the notable exception of the old common and the International-Great Northern Adjustment bonds, pushed forward sharply when the release first started over the news tickers. On more sober deliberation, and as the details of the plan were made available, the Missouri Pacific preferred stock and the junior bonds retreated rather quickly.

It had generally been anticipated that there would be some liberalization of the previous Commission plan proposed, and that a larger capital structure would be recommended. It is doubtful, however, if there were many who had expected the examiners to go so far in this direction as they did. It is proposed that the new capitalization be set at roundly $810 million, or nearly $200 million higher than that allowed in the previous plan that had been approved by the Commission and the courts. Even with this substantial increase in the proposed capitalization it was not possible to find any present value for the old common stock or to fill out the entire claim of the I.-G. N. Adjustments. The common was given a potential contingent interest in the new company through warrants exercisable if, and when, earnings reach, and stay at, substantially higher levels than those prevailing or in prospect. The same device was resorted to to eke out the small part of the I.-G. N. Adjustment claim not satisfied in new securities.

Quite obviously the examiners in arriving at their proposed new capitalization relied fairly heavily on the propositions that earnings for a period of years have to an extent been understated by virtue of a degree of overmaintenance, that further dieselization and property improvements projected over the next five years will result in significant operating savings, and that growth characteristics of the service area will continue to enlarge the traffic potential of the System. Unfortunately, with respect to the earnings status of the property the examiners did not have before them as part of the record the relatively dismal earnings performance of 1953. There is a serious question in the minds of many railroad analysts as to whether the Commission itself will take such a sanguine attitude toward the future earnings outlook for these properties.

At best consummation of any plan or reorganization for Missouri Pacific appears some years off. There is a period of 60 days from Feb. 17, 1954 for the filing of exceptions and replies to exceptions to the proposed report. Presumably there will be many as none of the interested parties seem entirely happy with the outcome. Then there will be hearings before the Finance Division of the ICC, and a long wait before their plan is filed. The Commission plan can be similar to, or entirely different from, the proposed report filed last week. Then will come the usual rehearings by the Commission followed by the protracted trudge through the various courts. It is well for any optimists as to the timing of a possible reorganization to bear in mind that even the so-called "voluntary" compromise readjustments almost invariably wind up in the Supreme Court before final settlement.

The details of this proposed reorganization plan will be discussed in this space next week. Suffice at this time to say that in the view of some analysts the plan in many respects harks back to the old days of the 1920s when it was policy to reorganize a receivership railroad by increasing its debt and overall capitalization. This policy, which in most instances resulted in recurring financial difficulties, has been in disrepute for the last two decades. Under last week's proposed plan the new System would have total fixed interest debt of $375,177,830, including equipment obligations outstanding as of Dec. 31, 1952, but not allowing for an indicated rise in equipment debt last year and in 1954. Contingent interest debt would be outstanding at $139,956,622. Thus there would be a total initial debt of $514,134,452 or more. In comparison, combined debt of the System properties as of Dec. 31, 1952, exclusive of claims for unpaid interest, came to $485,791,851.

Reynolds & Co. to Admit

SAN FRANCISCO, Calif.—Edward V. Mills will become a partner in Reynolds & Co., members of the New York Stock Exchange, on March 1. Mr. Mills will make his headquarters in the firm's San Francisco office, 425 Montgomery Street.

Hooker & Fay to Admit

SAN FRANCISCO, Calif.—Gifford LeRoy Troyer will be admitted to limited partnership in Hooker & Fay, 340 Pine Street, members of the New York and San Francisco Stock Exchanges.

Urges Clarity in Corporation Annual Reports

Dr. Stuart B. Mead of Michigan State College School of Business points to need of simplification of financial statements.

In an article appearing in "Business Topics," publication of the Michigan State College, School of Business and Public Service, Dr. Stuart B. Mead, Associate Professor of Accounting at the institution, stresses the need of greater clarity in corporation annual reports to shareholders. Says Dr. Mead: "It is obligatory for a corporation to publish an annual statement. It is only common sense for it to publish one that will engage the sympathy of the stockholder while informing him. In most annual reports the emphasis is on the accounting statement.

Dr. Stuart B. Mead

"Clarity can be achieved by means of a brief elucidation of the principal financial facts in the accounting statements. This is an important means of assisting those who are not well versed in the interpretation of financial terminology. A carefully worded discussion, often illustrated by charts and graphs, appears in most modern corporation reports. The familiar touch serves to bring about closer personal contact with the non-technical reader. With the graphic techniques and means of reproduction available to modern commercial artists and printers, there is really no excuse for failing to enlist these extremely expressive devices for making financial statements meaningful to the public. An excellent example of graphic aid to understanding is found in the Beatrice Food Company's *15th Annual Report.* In this instance, pie graphs make instantly clear the whole matter of receipts and expenditures, though other means can just as well be used."

Joins First California

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Albert O. Nelson has become affiliated with First California Company, Incorporated, 647 South Spring Street. He was previously with Daniel Reeves & Co. and Shearson, Hammill & Co.

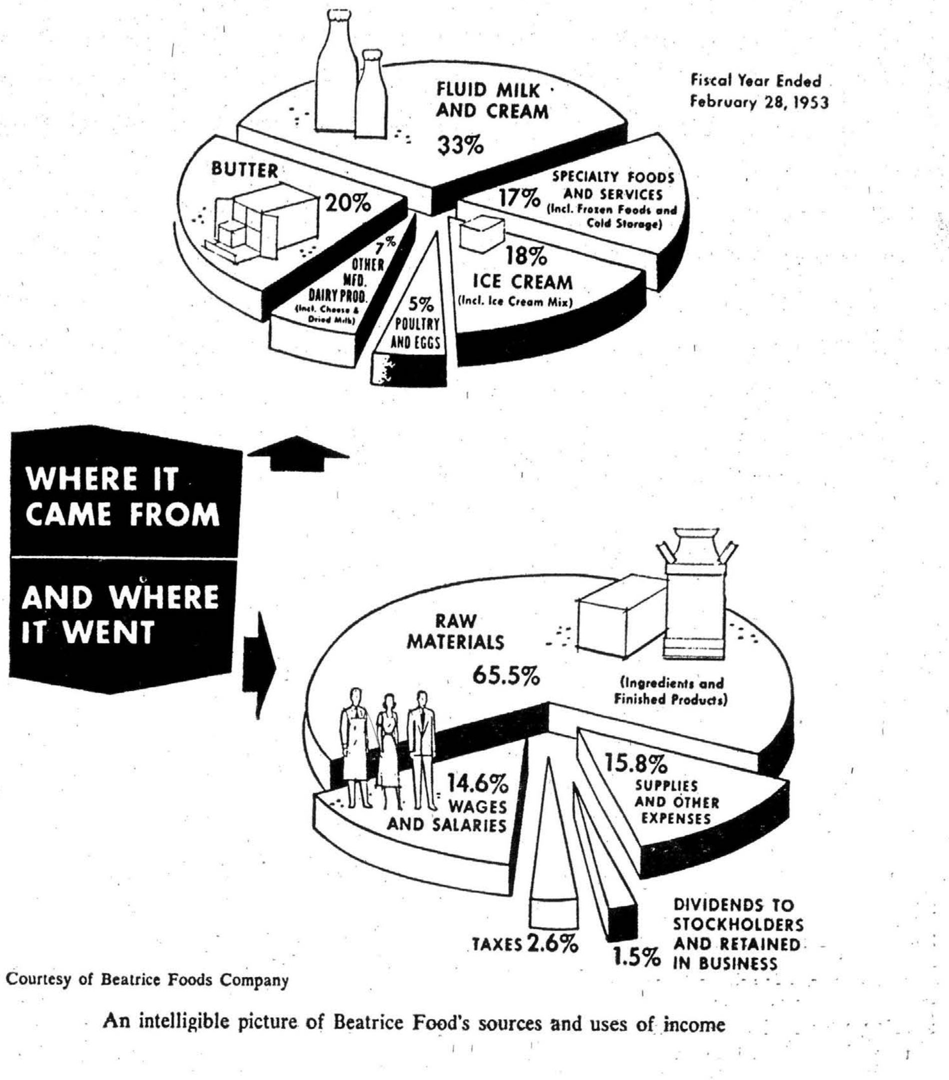
Lester, Ryons Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Francis J. Mitchell has been added to the staff of Lester, Ryons & Co., 623 South Hope Street, members of the New York and Los Angeles Stock Exchanges. He was previously with Edgerton, Wykoff & Co. and Dean Witter & Co.

With F I F Management

DENVER, Colo. — Jared M. Bates has joined the staff of F I F Management Corporation, 444 Sherman Street.



Courtesy of Beatrice Foods Company

An intelligible picture of Beatrice Food's sources and uses of income

Continued from page 3

More Than 5 Million Cars Can Be Sold in 1954!

sorbed a large portion of this decline out of their abnormally high profit margins. This was largely a return to normal marketing conditions as the model year neared a close. Customers naturally expect to pay less for a car toward the end of the model year because the value of such a car later on would be 20 to 25% less than the new model.

With the introduction of new models, customers no longer benefit to the same extent from these excessive over-allowances on their used cars. This return to normal comes as a shock to the new car buyer who now finds that his net outlay is perhaps $100-$200 higher. As a result, some of them will revert to being used car buyers or to trading in less often on a new car.

The market for new cars must always be appraised in terms of the total consumer car stock since the great bulk of new car buyers come from owners of cars that must be sold at a high enough price to encourage the net outlay for a new car. Growth in total car ownership occurs because of (1) increase in the number of households and (2) increase in ownership per household. Household growth currently amounts to about 2% a year. Car registrations per household have moved up from the reduced level of 66 per 100 households in mid-1946 to 90 in mid-1953. This does not mean, of course, that 90% of the households own a car. It merely represents the total number of cars registered divided by the number of households. Some households own more than one car, and some cars are owned by business firms or were in used car inventories of car dealers. There will be further growth in ownership per household but it will be closer to the long-run average annual rate since 1929 of 0.8 car per 100 households than the 3.4 rate of the postwar period. It should be remembered that the latter rate was possible only because of the reduced level of ownership caused by the high amount of unemployment until World War II and the shutdown of car production during the war.

Replacement Will Provide Bulk of New Car Buying

Replacement of the large stock of durable goods now held by consumers will provide the bulk of the market from now on for those durables where the rate of ownership is already high. This is particularly true for cars, where scrappage has been held down in the postwar period by the short supply of cars. Scrapping of cars usually does not begin in quantity until they are eight years of age. By that time, the market value is normally reduced close to 10% of the value of a new car. For those cars requiring costly repairs, therefore, it is more economical to scrap them. Usually the dealer makes the decision to scrap the car because it is traded in on the purchase of another car. If there is not enough market value left to be worth the reconditioning and selling expense, the dealer will sell the car for junk.

All of the prewar models are at this vulnerable stage today. Only the exceptionally clean cars traded in are resold. Of course, in any one year not all of these cars are traded in or sold to a junk dealer. In mid-1953, there were still slightly more than 11 million of these prewar models registered. If we return to prewar rates of scrappage for cars of this age, the number would be reduced to 7.8 million by mid-1954 and to 5.3 million by mid-1955. This would amount to a slightly over 30% scrappage of the prewar cars outstanding at the beginning of each year. In addition, the 1946-48 models would be starting to enter the scrappage period. At prewar rates of scrappage for cars of this age, the number outstanding would be reduced from 7.7 million in mid-1953 to 7.3 million and to 6.6 million in the following two years. With the addition of a small amount of scrappage on 1949 and more recent models, total scrappage at prewar rates would be 4.1 million between the July, 1953, car count and the July, 1954, count, and 3.6 million in the following year. There is good reason to expect scrappage close to prewar rates now that used car prices are down to more normal levels.

The large volume of cars produced during 1949-53 will not reach the vulnerable scrappage period until the latter half of this decade. At that time, replacement volume should be rising to new highs above any previous period. In the meantime, we must rely primarily on elimination of the now ancient prewar models and the 1946-48 models, which were largely a continuation of prewar styling. Much will depend on the ability of the automotive industry to induce customers to trade in for new cars and used cars of model years subsequent to 1948.

This potential scrappage and growth indicates that, under favorable conditions of employment and incomes, it should be possible to sell at retail more than five million cars in 1954. Such a total would be close to the 5.3 million average retail sales during the period 1949-1953, each year of which was higher than any other year in automotive history. The bulk of new car buyers would come from present owners of these cars produced in the last five years. There is every reason to expect that people now owning cars under five years of age will want to stay in this group as long as possible. While these large stocks of younger age cars provided a large trade-in market for new cars, they also can act as a temporary deterrent to new car buying in the event of substantial declines in employment and incomes.

In the 1937-38 recession, for example, consumer buying of cars was cut by about 50% from the first half of 1937 to the first half of 1938. For the full year 1938, the drop was nearly 45% compared with the year 1937. In 1948-49, consumer stocks of younger-age cars were so low that there was still a ready market for the increased automotive production of 1949 made possible by greater availability of steel. At the present time, however, we are back to the normal situation where consumer purchases of new cars will fluctuate with changes in general business activity and to a greater degree both on the up and on the down side. Other consumer durable goods have been in this position generally ever since they caught up with the backlog of consumer demand in 1948. Because the market for consumer durable goods is so sensitive to downturns in general business activity, manufacturers and distributors of these goods have a great stake in the maintenance of maximum employment and incomes consistent with a stable and growing economy.

Reasons for Adjustments in Employment and Income

The expansion in employment and incomes which took place from the end of the steel strike in 1952 to the middle of 1953 was of a nature, however, that could not be maintained for an extended period of time. Business inventories of durable goods had not been adequate relative to sales volume even before the steel strike because of the great demand for armaments and for plant and equipment. The steel strike reduced these stocks still further. Record steel production after the strike, coupled with a leveling off in defense requirements and increased availability of non-ferrous metals, made possible a build-up of business inventories of durable goods and consumer stocks of cars to more adequate levels. Total durable goods production at mid-1953 was 19% higher than just prior to the steel strike. Employment in these industries was 10% higher and substantial overtime was being worked. The employment, incomes, and profits created by this expanded production boosted demand for goods and services generally.

As the backlog of demand for additions to business inventories and to consumer stocks of cars became satisfied, a readjustment back to more normal markets was inevitable. Durable goods manufacturers are now generally drawing down inventories and production has been adjusted downward. If spending for plant and equipment, residential construction, and consumer spending can be maintained close to current levels, as seems likely at the present time, further sharp declines in employment and incomes will not occur. Most of the income loss to date has been in Federal Government tax revenues. Total personal income after taxes and corporate profits after taxes have not declined enough as yet to indicate cutbacks in business and consumer spending beyond those required by adjustment to more normal markets.

Effects of Return to A Buyers' Market

The currently slower rate of consumer buying for cars is partly a return to seasonal patterns which always exist in a buyers' market. During 1935-40 when new models were generally introduced in October or early November, consumer buying of new and used cars was at a low rate in January and February. A sharp upsurge occurred in March and the peak for the year was reached in April. About 42% of the year's sales were made in the peak period of March-June. It will be impossible to say for sure whether the car market is holding up to expectations until the March-April results are in. The rise from January-February buying rates this year is not likely to equal the 67% increase that occurred prewar, partly because many new model introductions were made in December, 1953 and January, 1954, instead of the October and November dates before the war. Even a modest rise from the 355,000 retail sales of January, however, would be sufficient to continue the current weekly production rate of 107,000 for the industry as a whole. Some production is currently required to increase dealer stocks of a few makes of cars that still are inadequate for the Spring market.

In summary, the readjustment so far in consumer buying of cars seems to have been primarily a readjustment to more normal market conditions. For other consumer durables, little readjustment was required because buying in 1953 was not at abnormally high rates. Some curtailment has occurred because of the readjustment in general business activity and employment. If, as seems likely, the worst of the decline in general business activity has already taken place, the outlook for at least a seasonal expansion in consumer expenditures for durable goods is good. For the year as a whole, these expenditures will probably be 5 to 10% below the abnormally high rate of 1953, but at least as high as in 1952.

MacLean Gander Director

MacLean Gander, a partner in Dominick & Dominick, has been elected a director of Penn-Dixie Cement Corp. to fill the vacancy created by the death of Thomas R. Preston, former Chairman of the Hamilton National Bank of Chattanooga, Tenn.

Joins Conrads Company

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, Ill.—Richard H. Kerns has joined the staff of Conrads & Company, 321 West State Street.

With Mid-South Secs.

(Special to THE FINANCIAL CHRONICLE)

NASHVILLE, Tenn.—Flavius B. Martin, Jr., is with Mid-South Securities Company, American Trust Building.

Zilka, Smither Adds Two

PORTLAND, Ore. — Eugene T. Porter has been added to the staff of Zilka, Smither & Co., Inc., 813 Southwest Alder Street. John A. Goffrier has become associated with the firm in the Salem office, Oregon Building.

Now Rotan, Mosle, Inc.

GALVESTON, Texas — Rotan, Mosle and Moreland, Incorporated, National Hotel Building, has changed the firm name to Rotan, Mosle, Inc.

Blyth Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charles L. Abbe is now associated with Blyth & Co., Inc., 215 West Sixth Street.

Joins E. F. Hutton & Co.

(Special to THE FINANCIAL CHRONICLE)

BAKERSFIELD, Calif.—Jack G. Gray has become connected with E. F. Hutton & Company, 1417 Seventeenth Street.

Public Utility Securities

By OWEN ELY

Carolina Power & Light Company

Carolina Power & Light Company serves electricity to 216 communities, including Wilmington, Raleigh, Asheville and Goldsboro in North Carolina and Florence and Sumter in South Carolina. As the company's gas business was sold last October and the water business is very small, it is now virtually on an all-electric basis. Electric revenues are about 42% residential, 17% commercial and 28% industrial. The average residential rate of 2.20c per kwh. is well below the national average, and the average residential use per annum of 3,061 kwh. is above average.

While the area is largely agricultural, there has been a substantial amount of new industry coming into the area, particularly textile mills, so that industrial business has more than doubled since 1947. Sales to textile companies now amount to about 14% of total revenues but the business is quite well diversified. Since many of the plants are among the most modern and efficient, operations have continued on a fairly active basis despite the difficulties experienced by some of the New England mills. Some of the Carolina mills find it most economical to run on a two or three-shift basis even when operations may be cut to four or five days a week.

In 1942 Carolina Power & Light had an equity ratio of only 14.6%, following heavy plant write-offs. Since that year the company has spent some $120 million to raise the equity ratio to its current level around 32%. The company has now achieved a good credit rating, and its finance program will be designed to maintain the equity ratio at or above the present level.

The company plans to spend around $26 million for construction this year and $25 million each in the years 1955-56, or a total of some $76 million. The construction program will probably include some additional capacity to sell power to TVA, since the latter's program of building steam plants has now been curtailed by the Administration.

No financing was done in 1953 and it is understood that only about $5 million financing will be required this year. This will leave about $32 million of new money to be raised in the next two years, the balance of construction needs being met through depreciation and retained earnings. The three-year program will require about $8 million equity financing (about 200,000 shares of the present stock or about 1-for-10, or 400,000 shares of split stock).

One reason for the small amount of equity financing that has been required recently is the relatively low dividend payout. In the year 1953 $2.99 was earned on the common stock and $2.00 was paid, making the dividend payout about 67%. (However, a 5% stock dividend was also paid a year ago.) According to President Sutton, the common stock will probably be split 2-for-1 this year, if stockholders approve. If this is done, there will probably be no further stock dividends, but it seems likely that the cash dividend payout could then be increased moderately.

Carolina Power & Light acquired Tide Water Power Co. about two years ago. Tide Water, an old Associated Gas & Electric property, was in badly rundown condition. A considerable amount of money has already been spent to rehabilitate it and over the next three years some $40 million more may have to be expended. Deferred maintenance in the Tide Water area should be cleared up this year, however. After the property was taken over, rates were reduced to bring them in better relation to those of the parent company, and this has resulted in a substantial increase in business. The management believes that the money being spent on Tide Water will bring good results.

In 1952 Carolina Power & Light generated about 20% of its electric output through hydro plants, and also purchased 18% of its requirements. 1953 was a bad year for hydro, but the company is installing additional steam generation which will reduce the proportion of hydro power. The construction program includes 110,000 kw. in 1954, the same amount in 1955, and 150,000 kw. in 1956.

The company's relations with the state regulatory commissions are said to be excellent. President Sutton will probably not seek rate increases unless inflationary trends handicap the company. It is estimated that the company is now earning slightly under 6% on original cost. North Carolina may now be considered a "fair value" state, since a recent telephone rate decision used this basis.

Continued from first page

As We See It

many had been relying for sane counsel in Washington now appears to have himself fallen victim to one form of the present day madness.

Danger Now Great

This surprising action of the Senator from Georgia coupled with the recent references of the President to this same subject appears to have created a situation in which only an early, sharp and quite evident change for the better in the immediate business situation is likely to save us from another large injection of New Dealism. Indeed, it may prove that even such a change would not save us. The President's repeated avowal of devotion to the Employment Act of 1946, which as usually interpreted places responsibility for preventing any or even a moderate recession directly and emphatically upon the Federal Government, has always been a source of uneasiness to us and, we have no doubt to many others who feel it their duty to study the welfare of the nation with dispassionate care.

But it had been our hope, and we are sure the hope of a good many others, that the counsel of Professor Burns, now Chairman of the President's Council of Economic Advisers, would avail to save us from very serious damage. Professor Burns is, of course, quite possibly the nation's leading student of what is inaccurately now termed the business cycle, and no one is more completely on record as convinced that man has not yet been able to penetrate the mysteries of cause and effect relationships involved in this so-called cycle phenomenon. No one is more fully on record as doubting that there is any way in which he or anyone else can prescribe for the economic health of the nation with assurance that these recurrent attacks of chills and fever will be eliminated.

He has long been known as a leader of the very substantial and respected group of professional economists who are more than skeptical of the Keynesian notion that consumers may be counted upon to spend some relatively fixed percentage of their income upon current consumption — a doctrine which expressly or implicitly seems to constitute the foundation of the notion that a depression may be averted by increasing the "purchasing power" of the consumer. If, however, the President, notwithstanding the influence of Professor Burns has fallen victim to such ideas, who now is left to present effective political opposition to them and their unfortunate economic consequences?

Let no one deceive himself into supposing that Senator George's proposal and the similar notions of the President and all the others are not genuine New Dealism. We are well aware, of course, of the claim that for some time has been advanced in Washington that a new and essentially different "approach" has been found to the subject of "pump priming" — an approach which somehow, according to its sponsors, sanctifies the process. This "new" idea is that additional "purchasing power" must be left in the hands of consumers or placed there directly rather than by some indirect route such as government spending. We are well aware of these notions and we are unimpressed by them. The truth of the matter is that they seem to us to be particularly dangerous because they tend to take the curse off discredited pump priming ideas when in point of fact they come out at or near the same place.

Whether the several billion dollars which the George plan, or any of the others for that matter, would leave in the hands of a large number of taxpayers would be expended promptly on current consumption, and whether, if so, the result would be helpful in turning the business tide—assuming that it is really running out at the present time—we gladly leave to others who seem to think they know the answer. For our part, we should expect the outcome to depend upon imponderables which we no more than those in Washington can fathom. In any event, the outcome involves forces almost infinitely complex no matter how simple they may seem to the uninitiated or even to the easy reasoners among the allegedly initiated.

Some Things Are Clear Enough

But there are a number of aspects of the case about which there can be no reasonable doubt. One of the first and most important of these is the fact that current proposals would take several billions of dollars from the revenue of the Federal Treasury. Congress has shown little or no interest in trying to reduce expenditure one penny to limit the inevitable increase in the deficit which would result. The Administration under prodding by Senator George's able colleague, Senator Byrd, has been most strenuously endeavoring to cut the last penny of waste out of government operations, and Senator Byrd is right when he says it has been doing a good job. But where is the man who would for a moment claim that another several billion could be eliminated from Treasury expenditures forthwith?

Of course, adoption of any such plan as that of Senator George would mean probably a doubling of the prospective deficit, and might mean a good deal more than that. Most supporters of the Senator in this matter—we do now know where the Senator himself stands—probably welcome this prospect. They still believe it possible to borrow our way out of economic trouble. But where would the Treasury get the funds it would have to have? Obviously, if what the consumer saves from tax remission were placed in government bonds, the situation would be just about where it was before. Plainly, for the scheme to work out the Treasury would have to go to the banks, and monetize this addition to its mounting debt—assuming Congress presently raises the debt limit, a *sine qua non* of all such proposals as that of Senator George. Evidently, the proposal rests ultimately upon a politico-economic philosophy which might with apology to Harry Hopkins be stated as: "Borrow and borrow, spend and spend, elect and elect."

Continued from first page

1954 Is a Key Year

more than the year in which we won the second war, or the year in which we resolved to halt the advance of political profligacy, or any other year in which climactic events or decisions took place. Yet, these are years of decision, and this is a key year.

I want to try to tell you what the nature of that decision seems to me to be, because each one of you not only as a citizen, but as a leader whose opinion stands as valid and convincing among your associates, your communities, and your organizations, each one of you must see and understand the import of these times.

A wise friend of mine, whose judgment I respect, once told me that ever since he was a boy in Nebraska he had learned to take a long look at things from every angle before he made up his mind about them. As he put it, "I always made it a point to walk all the way around any hill I have found in life, so I could see it from every side."

Every good woodsman does the same thing. And many of you here know that that is the first job before a road is laid out, a tree is felled, or a camp built. Now, in these few minutes, suppose we walk around our hill.

Government Paternalism in the 1930s

Just about a quarter of a century ago, our country and our people had an experience unlike they had ever known before. It was a new experience for them—a great and unparalleled depression. It hurt them — badly. It shook them. It scared them. They lost confidence in themselves. It was in those years that this country came to know the meaning of contagious national fear.

Because there was no other place to turn for help, they looked to the government, as they had a right to do. During those hard years, they learned to turn more and more in that direction. Government grew and grew. A greater variety of interests began to compete for benefits and privileges. New ideas and experiments began to take hold. This concept of big government was a contagious idea. As the effect of the depression began to wear off, this Nation found itself facing a great war. Again the government was called upon to make decisions. And when the war actually came, people turned to government once more to take hold of more and more things.

The idea grew that government was the biggest and most reliable force in the world. It gained a self-energizing and self-perpetuating momentum. Bigger than the people. Every young person in America, born since those trying days 25 years ago has never known a year when government did not cost astronomical billions of dollars. Young people got to know, too, what it is to live under a government that exercises a substantial control over their own activities.

The historians of today have not yet been able to analyze the consequences of that era adequately. But some of the results are evident enough:

The first was the blind willingness of the people of that era to entrust the party in power with their decisions and even their lives with a "let Government do it" attitude. It did not take government long to deteriorate under that mandate.

The second, in logical sequence was that the Administration could do no wrong. It did not like to be questioned. It adopted a "holier than thou" attitude. The secrecy with which it surrounded itself created a climate in which occasionally spies and subversives and low-grade public servants could and did flourish.

The third was the philosophy that government knows best. Government became self-sufficient, wiser, and finally arrogantly complacent.

The fourth was inevitable — a creeping irresponsibility and a decline in standards of honesty which entrenched power encourages. As a great statesman once remarked, power corrupts and absolute power corrupts absolutely.

Now this is by no means a thorough examination of the results of certain political forces of which most of you have a vivd recollection. The climate is changing. We are, in some respects, emerging from the despair and degeneration of that era. Yet, this country could be turned back once more to the spending sprees and the political orgies to which the American people called a halt in 1952.

In that year, 1952, the people of the United States turned to a man who represented to them all the qualities they felt had been lost. He represented responsibility—honesty, integrity—in the highest degree. He had demonstrated tremendous capacity for leadership. He proclaimed his belief for a moderate course in politics — neither to the socialistic left nor to the *laissez faire* right. He indicated clearly his desire to restore government to its proper role in American life: the servant of the people rather than the master. The people, in the phrase of that election year, decided they wanted a change. They wanted, among other things, a great leader, rather than a smart politician.

When I say the American people wanted these things, that includes us. You wanted them, and so did I. I had a distinct feeling we were straying way off the road, taking the wrong turns, moving against the lessons of our heritage—being untrue to ourselves—compromising with our principles. Great numbers of people felt that way, too, and oddly enough, considering their years, a great many young people.

Time for a Change

At a time when bad doctrines were prowling around the world seeking deluded victims, it seemed to me it was time to return to the great faith of my ancestors. It was time for self-examination. I wanted to be sure of our direction. I wanted to be clearer as to where we were going as a Nation. I wanted to be prouder of my country.

So I enlisted in the crusade.

The turn has been made. The old-timers tell me it's different around Washington now. There seems to be a new and brighter purpose to things. As we have overcome some degree of inertia and have really started moving forward in this course we have selected, there is a certain feeling of exhilaration both about our prospects and progress. I hope you share it. As you can well imagine, it too some time to make the turn. But did you ever look at a blowdown in a great forest after a hurricane? It takes a little figuring to know where to start in. The tangle has to be untangled. It takes a good deal of calculation to know where to start to cut and where to lay out a road. Carelessness can cause a conflagration and the loss of some good with a great deal of very bad. So let's look at some of the debris that has already been cleared away.

First, of course, is the Korean War, which mercifully came to an end. The goals for which we hope have not yet been achieved but the fighting has stopped.

Second, the tide of government expenses no longer is rising; in fact, the ebb has already commenced. The striking reductions in budgetary requirements of government have been the result of tireless, painstaking effort, and have resulted, in the language of the forest manager, getting down to where "we are cutting no more than we grow." We look forward hopefully to something better than balance in cash expenditures in the coming year.

Third, we have begun to work out a plan of national defense in keeping with the realities we encounter in this, the second half of the 20th century. It is realistic and it is a program that we can maintain as long as we have to. We are commencing to see the details emerge. You have heard these plans discussed by various officials of the government who have stated our military aim: to be able quickly and devastatingly to retaliate so that an attack will be launched only by a demented enemy in utter desperation. We do not think Soviet Russia is that demented.

Fourth, we began to give the people a chance to spend more of their own money that was being taken away from them in taxes.

In the policy governing reduction in taxation, we have been both honest and conservative. Savings in government expenditures will continue to be shared with the taxpayer as fast as we believe it possible to do so.

Now, if I may ask you to hold the image of the forest blowdown—that looks from the air like a badly-trampled door mat—let me refer to an old tangle that we had to face—some of the old underbrush that had been growing up in this forest for a long time.

For example, there is the farm problem. We committed nearly $7 billion to stabilize the farm economy of America in the price support program. We spent a lot more than this in operating expenses, but this sum represents approximately the amount which is invested in surplus farm commodities today. With all of this investment, this farm problem remains unsolved. It is still seeking an answer — an honest answer— an answer that will retreat from the delusion that the government is smarter than the people. We know in the long run that American agriculture will profit by the stability of an honest farm program. However, in undoing the mistakes already made, it will cost hundreds of millions of the taxpayers' money in the liquidation of this investment and again putting farmers back on a sound and stabilized program.

We have made good starts in other fields. We are trying to get away from the entrenched and outmoded ideas of two abnormal decades. No one can miss the fact that this effort is resulting in a new climate—healthier and more invigorating. This whole program —the Eisenhower proposals—has recently been presented to Congress. It deals with every important problem which confronts us. In its relations to the problems of human beings, it is distinctly a liberal program. In its handling of the fiscal affairs of your government and the use of your money, it is decidedly a conservative program. You and the rest of the people of this country now have a choice. It is that choice which makes this a key year of decision. If the program of the Eisenhower Administration is adopted with enthusiasm by the Congress, with the popular support it deserves, the next Congress of the United States will be composed of a majority of the President's Party and in support of his principles. If it is rejected, the Party of the President will lose its control in Congress, and we shall be faced with a frustrating situation.

Eisenhower Program

I would like to attempt to give you some of the philosophy which has dictated the Eisenhower legislative program of 1954. In the first place, it moves toward the decentralization of certain responsibilities. It encourages the energy and incentive that keeps this country strong and prosperous. It offers the best way to cultivate potentialities which lie in ourselves, in our resources, in our science, in our power, in our machinery, in our education.

We are dedicated to the belief that a more equitable sharing of responsibility between the Federal establishment, State and local governments is the way toward the preservation of greater individual opportunities. Your share in that responsibility is the conduct of your business so that the Nation grows and prospers as a result of your activity; that living standards in your communities are improved; that there is restored to the individual a realization that his own effort is the best way to help himself.

We believe the Federal Government should continue to stand in the role of partner in conducting the programs for security of the individual. These deal, of course, with those unforeseen emergencies over which the individual has no control.

If anyone says to me, "Hold on there, I thought we were moving away from socialism. This sounds a little like socialism to me." Perhaps that person can recall, as I can recall, the days when 15 or 20 cents an hour for a young man starting in was about average pay. While time was valuable, it wasn't as valuable in hard cash. So when people lost their jobs or had prolonged illnesses or depended upon their neighbors for help, the cost of their assistance was nominal.

Will Not Tolerate Another Grave Depression

Today it is different. There is no question that the people of this Nation will never accept another grave depression—large-scale unemployment — great numbers of people in trouble. They believe, as I do, and as this Administration does, that the opportunities are now here to use the tremendous productive powers which are available to us, first for peace and defense of our heritage, and second, to keep a strong economy here at home so that neither insurmountable mountains nor great unfathomable canyons confront us in our economic life which we cannot successfully encounter.

These objectives, ladies and gentlemen, cannot be achieved by government. That is, they cannot if you are to keep your freedom. It is about as simple as that. They can only be achieved by government with the cooperation of the producers of the nation's wealth—of labor, of business and industry, of management, of scientists, of engineers—in short, by all segments of the human economy acting in willing and understanding cooperation.

The strength of America is not in its Government. The Government is strong only if its industry, its productive facilities, its laboratories, its inventions, its schools, its sixty-three million employables, its magnificent communication system, its machines, its transportation are strong.

More than this, the Government is strong only if the character of its people—their courage, their ingenuity, their resourcefulness, their determination, their creed—are sound and strong.

This is the time of decision because as we turn responsibility more and more back to those who should share it, we will be moving with the tenets of our American creed, in the incomparable power of free men and institutions. In this determined objective our chief concern is whether or not all those who share in the benefits of American life are willing to share its responsibilities.

If not, we really have something to worry about. The resolutions to which we are so dedicated need something more than mere words. They need action. Otherwise, we fall into a commonplace uniformity which Marcel Proust once mentioned. In speaking of our determination to change things, he made this philosophical observation, "The situation that we hope to change because it was intolerable becomes unimportant. We have not managed to surmount the obstacle, as we were absolutely determined to do, but life has taken us around it, led us past it, and then if we turn around to gaze at the remote past, we can barely catch sight of it, so imperceptible has it become."

We are learning—the hard way—the burdens and responsibilities of power. It is the time of growing maturity for the United States of America. Not only do we feel the responsibilities of world leadership, but we are discovering that we have much to learn and that many of our friends and neighbors around the world know more about many world problems than we do. We have been trying to learn what our real responsibility is, for instance, in the field of world trade. The President some time ago named a commission for the review of facts which had already been made available and asked it to make recommendations concerning the course which this Nation should pursue in the management and development of world trade. There are two comments which I should like to make. The first is that there will be positive recommendations and these will be followed up, we earnestly hope, with legislative action. This action will be based upon a union of interests: accepting, not ducking, the responsibility of the United States of America and the world today, and the best interests of the American people as a whole.

The second comment I should like to make, if you will permit me, is to remind you that this industry had its share in the determination of the conclusions and recommendations made by the Randall Committee. It so happened that I was present when the Chairman made his report to the President in advance of its announcement. I should like you to know that he made a particular reference to the contribution of one man. He described him as having taken "an extraordinary part in the effort." He gave great leadership to the work. He was carefully attentive to the arguments. He had an unprejudiced mind and was content to let the weight of evidence determine his conclusions. He was attentive upon the meetings. Examination of the records of attendance shows that he missed only one meeting of the Commission. He did his homework assiduously. His questions were penetrating and intelligent. He was a mountain of strength. These are not my comments. They are comments of Clarence Randall to the President of the United States about the work of Cola G. Parker.

Yes, we are growing up, both internationally and domestically. To me, the growth of social responsibility and understanding on the part of business and industry is unparalleled in our history. There is a greater awareness of a duty to the workers of this country among our corporate managers and their shareholders than you will find in any other Nation of the world. And yet it seems to me that our leaders in industrial life —in the paper business, for example — are unnecessarily shy about exerting their own leadership in the formulation and support of national policies.

The other day, the publisher of one of the world's great newspapers said to me, "You must keep the President going to the people. His greatest strength is in the lift which he gives to their aspirations." This is good advice. You will recall that the editor of one well-konwn magazine wrote after the State of the Union message, "There runs a clear, constant thread, joining each fact and each measure with all the others. The thread is the 'general good.'

"The President is not trying to expunge the New Deal or to project it. He is taking off from the facts of life as they are in the United States, A. D. 1954, going on from there to outline in a new tone of confidence, a new course. "Initiative is a bird that can be snared only by a firm purpose. It will never roost for those—however strong or rich or right—who do not know what they want to do with it."

To you members of the paper and pulp industry—or in the larger sense members of American industry—leaders with far more influence upon your times than most of you wish to recognize or acknowledge, the call is the same call that this Administration is trying to answer.

It is a call to you in business and in industry to consider not only your own interests, but the people's interests—to take as your point of departure the facts of life as they are in this year, A.D. 1954 —to build, with a firm purpose, not only in your own self-interest but on the broader base of the general good.

If some part of the responsibility for a secure and prosperous Nation at peace rests with you—and unquestionably it does — then those of you who exert the greatest influence over the thinking of other people must encourage the adoption of views and policies which conciliate your industrial interests and the national interests.

Questions inevitably will arise; in the field of natural resources and conservation; in the field of tariffs; in labor-management relations; in a variety of others.

But as your freedom becomes greater, your duty becomes correspondingly greater. The price of liberty is not cheap—because the price of liberty is responsibility. The appeal of the present Administration is and will continue to be the best in each one of us. From where I sit, the future looks very promising. What we can all do in this country for our children and for our neighbors in the world under hard working good management is nothing short of thrilling. This Administration will not show favoritism. It will seek this "thread of the general good." It is pro-everybody and anti-nobody.

You must know that this Administration is committed to getting government off the backs of the people. We do not hold that government is a Goliath of judgment which determines who shall do what. The aim of the Eisenhower Administration is to make the most of America, not to make the most of government. This is quite an undertaking. But we think it will succeed.

Government at best can induce only a small percentage of the Nation's able men and women to make the sacrifice of their time to manage its affairs. Most of America's leaders do not work for government. Many do not care to. Yet, all of us, of whatever station in life, work for government—for instance, we give it financial support, even if involuntarily. We, therefore, have the right as well as the responsibility to guide its policies when they are designed for the general good.

Every responsible officer in the Administration has been giving his full energy to reviewing the Nation's needs, and how his Department can help build a strong and prosperous country. We are proceeding with good management methods. There is a tremendous amount of thorough staff work. This is not a spectacular process, but it does help insure the kind of government that Americans voted for in 1952.

In his second inaugural message, Lincoln referred to the "dogmas of the quiet past as inadequate to the stormy present."

"As our case is new," he said, "so we must think anew and act anew."

This country, as Lincoln pointed out, belongs to the people who inhabit it. When they grow weary of the government, they can change it. We do not believe they are either weary of it or lack confidence in it. If you are of this frame of mind, you will have bounteous opportunities to support it, if you elect to do so. This is your great privilege and opportunity today.

With Marache, Dofflemyre

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Shull Bonsall, Norma D. Hansen and Lee C. Hauge have become affiliated with Marache, Dofflemyre & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Hauge was previously with Walston & Co.

NYSE Nominating Com. To Meet March 3rd

The Nominating Committee of the New York Stock Exchange will hold a meeting on March 3rd in the Board of Governors' Room on the sixth floor of the Exchange Building, for the purpose of receiving suggestions for offices to be filled at the annual election May 10. Other meetings of the Committee are also scheduled for March 10, March 17, March 24 and March 31.

Positions to be filled at the annual election are Chairman of the Board of Governors and nine governors.

Members of the 1954 Nominating Committee are: Charles K. Dickson, Auchincloss, Parker & Redpath, Chairman; Wickliffe Shreve, Hayden, Stone & Co., Secretary; Thomas F. Fagan, Moore & Schley; Charles J. Hodge, Forgan & Co.; W. Fenton Johnston, Smith, Barney & Co.; Bernard Kalker, Brunner & Co.; William P. Marseilles, Jr., Murphey & Marseilles; Richard H. Smith, G. H. Walker & Co.; Leonard Wagner, Wagner, Stott & Co.

Los Angeles Bond Club Appoints Committees

LOS ANGELES, Calif.—"Looking forward to expanded activities in 1954, The Bond Club of Los Angeles has appointed committee chairmen for this year, as follows: Program, Warren H. Crowell, of Crowell, Weedon & Co.; Entertainment, Deeb E. Peter, of Blyth & Co., Inc.; Finance, Robert R. Miller, of Revel Miller & Co.; Publicity, Harold Walsh, of the Los Angeles "Times"; Attendance, Robert D. Diehl, of Paine, Webber, Jackson & Curtis."

Joins Paul C. Rudolph Co.

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif.—Paul Rossetti has joined the staff of Paul C. Rudolph and Company, Bank of America Building.

With Leo Schoenbrun

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Jeanette Haimson has joined the staff of Leo Schoenbrun, 1385 Westwood Boulevard.

Joins Campbell & Robbins

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore. — Don Durboraw is now connected with Campbell & Robbins, Inc., U. S. National Bank Building.

With Boren & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Dore N. Schwab has joined the staff of Boren & Co., 9235 Beverly Boulevard.

Long & Meany to Admit

On March 1 Gershon J. Feigon and Jack Feinsinger will be admitted to partnership in Long & Meany, 15 Broad Street, New York City, members of the New York Stock Exchange.

A. P. Vesce Admits

On March 1, Anthony P. Vesce & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, will admit Rose Vesce to limited partnership.

Chicago Analysts to Hear

CHICAGO, Ill.—At the luncheon meeting of the Investment Analysts Society of Chicago to be held March 11, the company to be discussed is the Ohio Oil Co.

2 With Eastland, Douglass

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John B. Eaton and Morris Eisenstadt are now associated with Eastland, Douglass & Co., Inc., 100 Bush Street. Mr. Eaton was formerly with Paine, Webber, Jackson & Curtis and Francis I. du Pont & Co. In the past he conducted his own investment business in San Francisco. Mr. Eisenstadt was previously with Capital Securities Co.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

BENICIA, Calif.—J. David Dux has joined the staff of King Merritt & Co., Inc.

Mutual Funds

By ROBERT R. RICH

INCREASES in net asset value per share and net investment income were reported today by Century Shares Trust, oldest and largest open-end investment company specializing in insurance company and bank stocks, in its annual report for 1953.

Net asset value per share as of Dec. 31, 1953, was $16.96 as compared with $16.28 a year ago, and investment dividends totaled 47 cents per share compared with 44 cents for the year ending Dec. 31, 1952. A capital gains distribution of 25 cents per share was paid Jan. 28, 1954, the report said, representing realized profits from the sales of investments last year.

Total net assets of the Trust at year's end were listed at $36,018,564 by the report which said that the portfolio included the stocks of 39 insurance companies, comprising 83% of the net assets, and 19 banks.

The holdings, by percentage, were: Casualty insurance companies, 11.08%; fire insurance companies, 48.18%; life insurance companies, 21.77%; insurance holding companies, 1.97%, New York banks and trust companies, 7.33%; other banks and trust companies, 7.57%. Balance of the holdings, amounting to 0.83%, was in U. S. Treasury obligations.

WELLINGTON FUND in 1953 recorded a $34.7 million increase in net assets. The report also revealed that throughout 1953, the Fund gradually reduced common stocks and other equities from about 67% of resources at the beginning of the year to about 58% at the year-end. Correspondingly, during this period, the backlog of good grade corporate and government bonds was increased.

Wellington closed 1953 with total net assets at an all-time high of $280,894,213 as compared with $246,183,017 at the close of 1952. Asset value per share was $19.97 at the year-end, after a distribution of 46 cents a share from securities profits, compared with $20.87 at the beginning of 1953. Wellington reported its expense ratio in 1953 was the lowest in its history.

The report listed more than 300 securities in the portfolio as of Dec. 31, 1953, with 57% of net assets in common stocks; 1% in equity type bonds and preferreds; 29% in investment bonds and preferreds; and 13% in government bonds and cash.

Most of the corporate bonds acquired in 1953 by the Fund consisted of new offerings at the highest yields available in more than 10 years for investment grade issues, it was pointed out. "This rise in interest rates," the management noted, "was caused by the unusual demand for capital by industry and Federal and local governments when credit was tight. These changes improved the quality of bond investments and shortened the maturities of government bond holdings.

"Common stock investments," the management observed, "were also strengthened by the increase in stable income stocks and the sale of some cyclical and volatile stocks, particularly in the strong markets in January and early summer."

The report gave this summary of the shifts in common stock investments during the past year: "The principal reductions in common stocks were in automobiles and parts, container, industrial machinery, and tobacco industries. The principal increases in common stocks were in agricultural machinery, insurance, natural gas, oil, and utilities. We added to the agricultural machinery stocks in the market reaction in the early Fall, as they appeared unduly depressed. The insurance, natural gas, oil and utility stocks were increased because of their favorable long-term growth prospects."

Of business generally, the Wellington management stated in part: "Industry has done such a good job in supplying defense and civilian needs, we now have an ample supply of all kinds of consumer goods in a buyer's market. Under these competitive conditions, we believe the larger and more progressive companies with ample capital and well-established products should do considerably better in sales and earnings than others."

QUOTED IN CALVIN Bullock's February Bulletin, Harold E. Aul, Vice-President in charge of the firm's investment management department, declares that, "Canada stands at the threshold of an economic expansion of great magnitude. Her huge and as yet largely untapped natural resources require only capital and labor to bring Canada to a position of preeminence as a world economic power.

"Canada in many respects — in her social and political institutions as well as her great economic potential—stands about where the United States stood 50 years ago.

"We should be under no illusion as to the market's recognition of these great potentials. There has been a great influx of foreign capital into the Canadian stock market from the United States and Europe seeking to participate in the growth of the Canadian economy and seeking, too, the sanctuary of a sound political and social environment. Along with my endorsement of Canada as a land of sound investment opportunity I should sound a note of caution in respect of timing and selection. Selection must be informed, and from the point of view of timing, patience is demanded."

TOTAL NET assets of The George Putnam Fund of Boston on Dec. 31, 1953 were $67,051,013, a new high, compared with $61,492,494 at the previous year-end and an increase of 400% in the postwar years since 1945, according to the Trustees' 16th annual report to shareholders. The report appraises the Fund's record in the years since the end of World War II.

Number of shareholders totaled 25,300 on Dec. 31, 1953, compared with 21,500 the previous year and 5,600 in 1945—a 350% increase in the eight postwar years. Shares outstanding were 3,723,632 on Dec. 31, 1953 compared with 3,215,833 a year ago, and 960,182 in 1945.

Distributions to shareholders from investment income and capital gains totaled $720,000 in 1945, $3,886,730 in 1952 and $4,501,002 in 1953. During the postwar years, common stock holdings have increased from 45% of the Fund's total investments in 1945 to 63% at the end of 1953.

High return bonds and preferred stock holdings were reduced in the same period from 28% to 16%, while the investment reserve portion — consisting of high quality bonds, notes and cash — was reduced from 27% to 21%.

Chemicals constituted the Putnam Fund's largest common stock investment at the end of 1953, followed by electric utilities, oils, railroads and insurance stocks. Largest common stock investments were du Pont, National Lead, Atchison, Atlantic Coast Line, Standard Oil (New Jersey), Union Carbide, Seaboard Air Line, Utah Power & Light, United Gas, Shell Oil, Florida Power & Light, and General Motors.

THE TOTAL assets of the four investment trusts in the United Funds, Inc. group at the close of 1953 were the highest ever, surpassing $112 million, and in the first month of 1954 the value of total assets increased $8 million, Cameron K. Reed, President, announced.

Ten years ago total assets of United Funds were $3¾ million; the December, 1953, total was $112,611,549. Ten years ago less than 2,000 shareholders held 359,000 shares in the United Fund trusts; today there are more than 50,000 shareholders owning more than 13 million shares.

The annual report to stockholders disclosed that the gross amount of sales in 1953 was $26,880,351, compared with $26,211,711 in 1952.

The showing by United Funds was better than the industry as a whole. Figures released by the National Association of Investment Companies show that total sales before repurchases last year declined 14% from 1952. United Funds had a net gain of 2.3%.

Net assets of United Income Fund were $72,669,668 compared with $66,493,477 at the close of 1952. The fund had 6,028,355 shares outstanding, against 5,192,449 shares a year earlier. The net asset value was $12.05 a share, against $12.81 a share.

Net assets of United Accumulative Fund were $21,726,155, against $14,173,291. Shares outstanding, reflecting in part a 100% stock dividend, rose from 1,125,961 to 3,647,578. The asset value per share was $5.96, against $12.59, the reduction reflecting the greater number of shares.

The United Science Fund had net assets of $14,819,583, against $15,027,294, represented by 2,545,597 shares in 1953, and 2,420,051 shares in 1952. The per share value was $5.82, against $6.21.

United Continental Fund had net assets of $3,396,143, compared with $2,101,967. On the basis of 778,636 shares outstanding at the close of 1953 the value was $4.36 a share, compared with $4.57 a share on 459,668 shares outstanding a year previous.

THE SEMI-ANNUAL Report of Investment Trust of Boston shows total assets on Nov. 30, of $8,903,563, an increase of 44% over $6,158,951 on Nov. 30, 1952. Shares outstanding increased from 451,991 to 706,827, an increase of 56%.

In the six months covered by the report, the Trust not only maintained its continuous rate of growth, but also stimulated widespread interest in financial circles by introducing a program for investors who wish to make regular investments, combined with low cost reducing term group life insurance under a policy written by the John Hancock Mutual Life Insurance Company of Boston.

Under the program, regular investments of from $50 to $1,000 may be made monthly or quarterly. Each program may extend for any period of from 10 months to 10 years, as desired by the investor. Insurance is provided to investors between the ages of 21 and 65 who are in good health and are acceptable risks not engaged in a hazardous occupation.

The maximum insurance coverage under a program is $10,000 on the life of any one person, and covers the amount of unpaid monthly or quarterly investments to be made under the program. The program may be cancelled by the investor at any time during

LETTER TO EDITOR:

Comparative Fund Performance

Editor, Commercial and Financial Chronicle:

In the Feb. 11 issue of the "Commercial and Financial Chronicle," page 28, in Henry A. Long's Mutual Fund Review, it is stated that State Street Investing Corporation, Eaton & Howard Stock Fund, Wall Street Investing Corporation outperformed "both the averages and other trusts" for the two year period ending Dec. 31, 1953.


Imrie de Vegh

Among the trusts listed in the same article, de Vegh Mutual Fund showed an appreciation of 23.7% for the two year period in question, as compared to 5.9% for State Street Investing, 8.3% for Eaton & Howard Stock Fund, and 9.4% for Wall Street Investing.

Incidentally, General Capital Fund, which is a somewhat special case, also showed a superior record (up 9.8%) to the three funds that were singled out.

I wonder whether it might not be appropriate to correct in your next issue the impression created by the article.

IMRIE de VEGH
de Vegh & Company,
1 Wall Street,
New York City.
Feb. 23, 1954.

his life time without penalty or other obligation.

The Trust is currently invested largely in what the Trustees and Advisory Board consider high investment quality common stocks, and in securities which, in the opinion of the Trustees and Advisory Board, seem to be intrinsically undervalued.

THE ANNUAL Report of Blue Ridge Mutual Fund, Inc. for 1953 shows total net assets were valued at $18,691,324 on Dec. 31, and there were 12,555 investors who owned the 1,977,751.6 shares outstanding. The per share asset value was $9.45, or $9.87 after adding back the 42 cent total payments from capital gains in 1953. This compares with $10.23 a year earlier.

Approximately 96% of Blue Ridge's assets, at the 1953 year-end, were invested in common stocks selected for capital growth prospects, although proven earnings and dividend records are also important considerations.

George A. Sloan, President of the Fund, made the following statement with regard to recent portfolio action:

"Last September our board of directors decided that increased investments in industries with outstanding growth prospects were justified by the longer term dynamic forces underlying the economy. The portfolio changes made in the last quarter reflect the attention being given to selected stocks in growth fields. The holdings of companies in air conditioning, electrical and electronics, and chemicals were increased. We feel that our purchases, at this time of carefully selected stocks of representative leaders in these fields are fully warranted."

de VEGH Income Fund, Inc., in its annual report dated Dec. 31, 1953, covering its first year of operations, reported a gain in net asset value from the initial figure of $55,598 on Feb. 2, 1953 to $300,413 on Dec. 31, 1953.

Original subscriptions to the Fund were received at $10 per share until Jan. 31, 1953. Subsequently, the Fund paid three regular quarterly dividends of 10 cents each per share. The net asset value on Dec. 31, 1953, was $10.03 per share.

TELEVISION-ELECTRONICS Fund increased its net assets by $4,048,535 in 1953 to boost the total at the year-end to $28,835,-374—largest in its history. Asset value per share at the close of the year amounted to $13.58 after a distribution of 40 cents a share from realized securities profits. Asset value per share at the close of the preceding year was $14.37.

The Fund closed 1953 with the number of shares outstanding also at an all-time high. They amounted to 2,124,072, as compared with 1,725,440 shares outstanding a year previously.

Since the close of 1953, Television-Electronics Fund shares have been split two-for-one. Television-Electronics Fund is the only mutual investment company concentrating on the electronics field.

DELAWARE FUND has built up its investment in public utilities to about 20% presently of its net assets of $17,046,000—largest in its history.

The increase in utilities, D. Moreau Barringer, Chairman of the board, reported this represented a considerable increase over a year ago and followed a gradual withdrawal from more speculative positions. The utility holdings were largely in producers of electric power with smaller amounts in natural gas transporters and in communications.

"Among utilities which we hold", Mr. Barringer said, "there have been some differential price movements that have altered the attractiveness of some of them, and in response to these we have sold our position in American Gas & Electric and in Florida Power & Light, and have established new ones in Public Service Electric & Gas and Consumers Power. Both of these moves have resulted in a larger current return, and at the same time a reduction of the degree of speculation."

The Delaware executive had this to say of the stock market: "At the moment the market is taking a breath after its forward dash since the first of the year. It is almost as if the average investor had heaved a sigh of relief, now that the Administration has admitted the imminence of some business recession—whereas last summer, with a better business outlook than the present, he was distracted by fears of the unknown."

1954 YEARBOOKS of the Eaton & Howard Balanced Fund and Eaton & Howard Stock Fund have just been issued by the management organization, Eaton & Howard, Incorporated, of Boston. The Yearbooks contain complete detailed descriptions of the objectives, investment policies, and management of the Funds together with schedules and charts showing the record and growth of both Funds. The Books record that on Dec. 31, 1953, combined assets of Eaton & Howard Balanced Fund and Eaton & Howard Stock Fund exceeded $122,000,000.

AS AN experiment in reaching a vast potential market for mutual funds, Calvin Bullock ran an ad on Dividend Shares, Inc., in the February issue of "True Story" magazine. In the same issue, the publication featured an article on mutual funds entitled, "Our Chance for the Future."

NET EARNINGS of Investors Diversified Services, Inc., in the 12 months ended Dec. 31, 1953, amounted to $5,646,000 or $19.42 per share, compared with $3,833,-000 or $13.18 per share in the year 1952, according to preliminary figures released by the company today.

Undistributed earnings of I.D.S. wholly-owned subsidiaries were $2,140,000 or $7.36 per share of I.D.S. stock against $1,467,000 or $5.04 per share last year. Thus, the total increase in surplus was $7,786,000 equal to $26.78 per share in the year 1953, against $5,300,000 or $18.22 per share in 1952, the company disclosed. The company further stated that all the above year-end I.D.S. and subsidiary figures are preliminary and subject to audit.

NET ASSETS of Broad Street Investing Corporation were $36,182,-035 on Dec. 31, 1953, according to the annual report just released. This was 16.6% higher than the $31,020,634 reported at the end of 1952.

The increase last year resulted from the receipt of $6,241,095 of new funds from peak sales of Broad Street Investment shares, according to Francis F. Randolph, Chairman of the Board and President. Net sales for the year were up $1,414,829 or 29.3% over 1952.

Broad Street Investing reduced its common stockholdings from 91.86% of the portfolio at the end of 1952 to 83.47% on Dec. 31, 1953, Mr. Randolph noted. This compared with 86.6% at the end of the third quarter.

Holdings of common stocks that might be expected to show resistance to a downtrend in general business activity were increased during the year.

On Dec. 31, public utility common stocks were the company's largest group holding, representing 18.57% of the portfolio. The oil industry was next, representing 12.58%. During the year a total of 26 securities was added to the portfolio and 10 securities previously owned were eliminated.

In the fourth quarter Continental Can Company, Inc., Florida Power & Light Co., and Union Pacific Railroad Co. were new holdings represented in the portfolio.

Holdings of Brooklyn Union Gas Co., Central Illinois Light Co., Cluett, Peabody & Co., Inc., General Electric Co., National Fuel Gas Co., and Wisconsin Electric Power Co. were increased.

Celanese Corporation of America, Johns-Manville Corp., Moore, McCormack Lines, Inc., Pacific Power & Light Co., Sinclair Oil Corp. and United States Steel Corp. were eliminated from the common stock portfolio.

Reductions were made in the holdings of Amerada Petroleum Corp., Goodrich Co. (B. F.), Mid-Continent Petroleum Corp. and Ohio Oil Co.

ASSET VALUE OF each share of National Investors Corporation was $11.76 at the end of 1953, after distribution of 33 cents per share from realized gain on investments, according to the annual report issued by the growth stock mutual fund. Adding back the distribution, asset value was off only 1.1% from the $12.23 reported a year earlier. Asset value per share rose sharply in the fourth quarter despite the distribution from realized gain on investments. On Sept. 30, the asset value per share was $10.99.

Net assets totaled $31,788,861 on Dec. 31, 1953, compared with $31,245,836 a year earlier, according to Francis F. Randolph, Chairman of the Board and President. At the end of 1951, net assets were $27,150,752. Shares outstanding increased 147,115 to 2,701,939.

Dividends paid quarterly from investment income during the yeor totaled 43 cents per share compared to 42 cents in 1952, Mr. Randolph noted. Investors who took additional shares in payment of the 1952 distribution from realized gain on investment received an increase in dividend income of 5.9%.

New holdings added to National Investors' portfolio in the fourth quarter were Colorado Interstate Gas Co. and Continental Can Co., Inc. Holdings increased were Carrier Corp., Florida Power & Light Co., General Electric Co., New Amsterdam Casualty Co., Sprague Electric Co., and Wisconsin Electric Power Co. Holdings eliminated from the portfolio were Celanese Corp. of America, Deep Rock Oil Corp., Rockwell Manufacturing Co. and Skelly Oil Co. Reductions in holdings included Amerada Petroleum Corp., Johns-Manville Corp., McGraw Electric Co., Merck & Co., Inc. and National Lead Co.

THE ANNUAL report of Whitehall Fund, Inc., shows that net assets of $4,893,349 on Dec. 31, 1953, were up sharply over the $2,693,-573 reported Dec. 31, 1952. The rise reflected the merger of Howe Plan Fund, Inc. in June, 1952.

There was little change in the diversification of the fund's portfolio, which was made up at year's end of 3.95% cash and government securities, 21.9% bonds, 21.37% preferred stocks and 53.39% common stocks.

In the fourth quarter, Northern Natural Gas Company Debentures (4½%, 1973) were added to the Whitehall portfolio and Arkansas Power & Light Co. First Mortgage Bonds (4½%, 1983) were eliminated.

TOTAL NET assets of Shareholders' Trust of Boston increased to $9,035,851 as of Dec. 31, 1953, from the Dec. 31, 1952 figure of $8,744,-789, the annual report to shareholders disclosed yesterday. The number of shares outstanding was 354,164 at the close of 1953, compared with 325,680 a year earlier, and the net asset value per share was $25.51, against $26.85.

During 1953, dividends of $1.17 per share were paid from net investment income, and 31 cents per share was distributed from net capital gains. In the preceding 12 months, a like amount, $1.17 per share, was paid from net investment income, and 46 cents per share was distributed from net capital gains.

The portfolio of Shareholders' Trust of Boston, at market values on Dec. 31, 1953, consisted of 69.6% of common stocks; 13.2% of preferred stocks, and 15.5% of corporate bonds. Of the total amount of common stocks held at the close of last year, equities of industrial corporations represented 43.3%, shares of public utilities, 16%, railroads, 4.9%, and insurance and finance companies 5.4%.

THE NET asset value of the common stock of The Colonial Fund, Inc. was $21.42 per share at Dec. 31 as compared with $20.95 per share at Oct. 31, the end of the company's fiscal year. Total net assets of the company amounted to $13,318,000.

Securities Salesman's Corner

By JOHN DUTTON

Home Grown Opportunity

The growth of many communities during the past decade has brought about a considerable increase in the deposits and earning power of local banks. These banks are now reaching the point where an increase in their capitalization will be almost mandatory providing the increase in their deposits continues. Due to present tax laws and even with some modification therein this year, it is not possible for these banks to look foward to retained earnings alone to accomplish a sufficiently adequate increase in earned surplus and still feel certain that their capital funds will sustain the sound ratios necessary if future deposits continue to grow. This means that banks and bankers are becoming increasingly conscious of their own stockholder good-will. Although dividends have been increased by many local banks, and the stocks of these institutions have increased in value during the past few years, it is now becoming apparent that wider shareholder interest and investment is a most desirable objective.

Your Customers Know Their Local Bank

Every dealer in securities who has developed an investment clientele in his community has a most valuable asset which should be brought to the attention of progressive banking institutions in his city. Unfortunately, there are cases where bank management continues to hold to the opinion that they should not encourage widespread ownership of their capital stock. Other banks have handled the purchase and sale of their own stock (when a shareholder wished to sell) and have done so on the basis that they do not need an investment firm to act as a specialist therein. Possibly they have wished to dole out these shares to a selected group of their own chosing—if so, such a procedure in some instances might be acceptable to the management and directors, and for reasons of their own they will continue this practice. But there are other banking institutions that are becoming increasingly aware that they are no longer in a position of private bankers catering to a select clientele of depositors, borrowers, and shareholders. These banks now see themselves as a **Public Service** institution. Such being the case they will welcome a relationship with a progressive investment banking firm that will maintain a market in their stock, and broaden the ownership of their institution.

If it is possible for you to work out an arrangement where your firm can interest some of your customers in the stock of one of your growing local banks the time may come when you will be able to capitalize on this arrangement, both to your advantage and also the bank and its shareholders. Besides, there is an excellent opportunity to share in the growth of sound banking institutions in growing communities, if you sell some of your customers these stocks.

Have An Understanding

One of the disadvantages of handling the shares of a closely held local situation wherein you do not see all the stock that is offered to the officers of that institution, is that you may be competing for the same block of stock at a time when it is also offered to the bank itself. In a local community you may find that your offer of stock is being undersold by the same offer made simultaneously through the bank's officers who could be acting, in some instances, without compensation. This is embarrassing and would immediately preclude any responsible investment firm from taking an active interest in maintaining a market.

It could be advantageous to any progressive banking institution that is looking forward to the future to associate itself with the right **local** investment firm. Banks today are becoming part of their community — they are no longer the cold, aloof institutions we knew them to be years ago. Many of them are now looking ahead—possibly there is a thought in this for you and for them.

Continued from first page

Vacuum in Asia

relaxation in the Cold War—further cuts in armaments—all have contributed in hardening not only the German mark, but also the British pound, even the French franc and the Italian lira. Europe's central banks gained last year some $2 billion. Capital flight subsided; in fact, capital repatriation is the order of the day, as it was after the 1949 devaluation.

The basic difficulties of Europe persist, but they are submerged for the time being in a cloud of optimism that may not survive the failure of the Berlin conference and a revival of the arms race—or a substantial reduction of American assistance.

Korea vs. Japan

In every respect, it is a very different story in Asia—with one exception: South Korea.

Korea, paradoxically, is the one outstanding spot in the entire Orient that is "under control." With or without a peace treaty, a renewal of the clash along the 38th parallel is not expected The presence of strong American forces, the threat of aerial retaliation on Manchuria, and the build-up of a South Korean army take care of that. (The withdrawal of two American divisions is a convincing indication; at the same time, it helps to keep Rhee from proceeding on his own.) Financially, a huge American aid program, the procurement for and the spending by our troops, plus the remote control over Syngman Rhee's policies, promise to maintain his country's economy on better than customary levels. In turn, his unchallenged rule guarantees a degree of domestic tranquillity as in few other Oriental places.

Japan, by contrast, is literally on the verge of national bankruptcy, which explains in part her extremely bitter anti-Americanism. That is the curse of our spending policies: when the boondoggling subsides, the disappointment breaks out in the beneficiaries' utter resentment against the benefactor.

Exports are Japan's overriding problem (as of Iran's, but self-inflicted in the latter's case and far more limited in volume). For one item: 40% of Japan's exports went to China before World War II; 0.6% (!) goes that way now. And "export or die" holds for Japan as perhaps for no other nation. But trade barriers block the roads. In addition, American-fostered domestic reforms have upset the country's traditional social pattern, with deep-reaching effects on labor relations and wages, reducing its competitive power. Industrial trouble is fanned by communist agitation. The results are a severely unfavorable balance of payments and dwindling gold (dollar) reserves.

To make things more "messy," Japan runs into open hostility in South Korea (that interferes violently with Nipponese fishing) and in the Philippines. She is met by cool suspicion on Formosa, in Indo-China, Indonesia. None of them is ready to make common cause with her on the economic or on the military front. It is the same problem as that of French-German unity, but on a cruder, more elemental level.

On top of it all comes the American request for Japan's rearmament. A wit compared it with the advice to a drowning man that, being in the water, he should use the opportunity to fish.

Local vs. Global Conflicts

An essential feature of the Oriental situation is that, contrary to the Occident, localized inter-state tensions have precedence over the broader issue, the East-West conflict. To most Asiatics, the cold war is the white man's private affair which they try to utilize for their own purposes—to expand at each other's and the "colonial" powers' expense. Naguib is more acutely interested in getting hold of the Suez Canal than in keeping out the Russians. Israel is the thorn in the Arab flesh, not the Soviet menace. The armistice is being openly and ruthlessly flouted on both sides of the Jordan River. If Hindustan and Pakistan are not literally at each other's throats on account of Kashmir, it is because both lack the instruments of war. Small wonder that the former is violently opposed to American arms and bases for the latter. Such arming might unbalance the power (or lack-of-power) equilibrium in India, with disastrous consequences.

Both are torn, also, by internal dissensions of the nationalistic-linguistic sort. West Pakistan is at loggerheads with the ruthlessly ruling Eastern half. Hindustan is threatened with being broken up by centrifugal forces operating in several major provinces. Near-complete lack of internal coherence characterizes Burma, where the central government controls only a fraction of the country. The conflict between Java's pro-communist regime and Sumatra's Mohammedans keeps Indonesia on the verge of civil war and undermines her economy. Bolshevist guerrillas still are carrying on in Malaya. Whether the new regime in the Philippines is capable of raising that nation from a liability on us to a worth-while ally, will have to be seen (and is subject to serious doubt). In Indo-China, the three-cornered war enters into its eighth year by —a fourth "corner" opening: Siam tries to lure Cambodia and Laos into a Greater Laotian compact.

Asiatic Economics

Over Eastern and Southern Asia hangs the Damocles sword of overpopulation. Its 600 odd millions are increasing at the annual rate of 8 or 9 million souls without appreciable rise in average labor productivity, often with an extremely low volume of food output, a fluctuating one at that. Progress is inhibited by the bottomless ignorance and apathy of the masses in a majority of countries; by foolish mores and utterly corrupt governments; by lack of know-how and, especially, of capital.

Rene Dumont, a French farm economist and a connoisseur of Asia, has formulated it picturesquely: It took 50¢ per capita to institute hygenic measures in Ceylon, which resulted in lowering the death rate by 40%; to boost India's production to a level that would provide her population with reasonable subsistence, would take $250 per capita!

The current weakness of raw materials — tin, rubber, pepper, sugar, etc.—enhances the pressure that boosts Bolshevist propaganda.

Attempts to organize international cartels and buffer stocks in order to support commodity prices have died on the vine. They would be too costly. Point Four programs and similar assistance are a drop in the bucket. If Europe's financial problem is one of billions of "marginal" dollars, Asia's problem is one of dollars in the bulk. There is nothing serious one can do to raise the living standards of countries which are not able or willing to be rational themselves. All of which has far-reaching political relevance—since American humanitarianism has replaced the enforcement, at gun's point, of the *pax Brittanica.*

The Lure of Communism

Communism has natural roots in a "free" Asia, if only because capitalism is identified with the hated colonial system. It has a spontaneous appeal to a world in which the apathetic and illiterate masses live in squalor while a tiny minority displays unrestrained luxury; in which free enterprise and a society based on contract are novel concepts. Most important is the fact that the Soviets command respect for their (fake) role as liberators of colored peoples from the white man's "tyranny." They arrive at this role by merely pulling strings without entering the local scenes as the Westerners do. And the Asiatic *intelligentsia* finds in the Soviet system the kind of economics it is longing for, the one that promises rapid industrialization. Industrialized they all must be, though they lack (with the exception of Japan) the basic human ingredients: the saver, the entrepreneur, and the skilled worker.

It is a world contaminated by communistic tendencies, ready to collapse into chaos and incapable of genuine resistance. Presently, it is more afraid of American than of Russo-Chinese interventions.

American Policy in a Vacuum

The methods of the Russo-Chinese bloc in taking advantage of this situation are well known. Suffice it to point out a prime aspect of their strategy that was emphasized by Secretary Dulles in his January 12th speech: it is an avowed objective of Bolshevism to induce its adversaries to overextend themselves in efforts which are, in the words of Lenin, "beyond their strength, so that they come to practical bankruptcy."

The first axiom of American policy in the Far East is not to be lured into overextension. In other words, we cannot station armies in Asia as we do in the four corners of Europe and the Mediterranean. The idea of creating an Eastern NATO based on an entente between Japan and India had to be abandoned as a Utopia. We have an "Anzus" treaty, but it lacks military implementation. It is purely defensive, to assure Australia, New Zealand, Japan and the Philippines of our protection *if* attacked. Its extension to all major "free" nations of Asia was considered—and rejected. Rightly so; such broadening might do more harm than good by further reducing our military freedom of action. (Britain had been excluded for that reason, to her great chagrin.)

So far as American policy is concerned, Asia is a vacuum, indeed. We are not short of "doctrines"; but they are not, and can scarcely be, translated into action. The Dulles Doctrine of "massive retaliation" would be applicable in case of massive aggression. That, however, is not in the cards. The same holds for the Radford Doctrine of holding China in imbalance by such "dynamic" measures as blockading her coast line. In either case, our hands are bound by our European Allies who are deadly worried about being drawn into an Eastern showdown; and by Asia's acute misgivings about alleged American aggressiveness. In any case, both doctrines presuppose actual attack. But the Communists learned their lesson in Korea and are back to their more subtle and equally nefarious techniques of multiple subversion.

Limited Warfare—Without Limits

So far as the Orient is concerned, the New Face of American foreign policy, much heralded a year ago, is rapidly fading out. (It does so in the Occident, too, though in a different context.) What else can be expected—short of a complete break with the Acheson heritage? A fundamental difficulty is the very nature of limited warfare. As a recent leading article in the U. S. Naval Institute Proceedings (by Lt. C. L. Henn, Jr.) pointed out:

"The traditional kind of war is relatively easy to prosecute because of the imminence and undisguised nature of the threat and the relative simplicity of the objective. Men fight to win. The political and psychological aspects of limited warfare, on the other hand, are difficult to measure and are infinitely complex. Dissension easily arises as to ends and means. The danger becomes obscured, nerves strained, patience exhausted."

Limited warfare is the trouble in Indo-China, as it was in Korea. But with this difference: here is no possibility of an armistice that would not in effect, sacrifice Viet Nam, possibly more. The powerful Communist guerrillas control the major part of the country right down into the South; no precise frontiers could be drawn and no protection against "peaceful" infiltration provided. China gives enough help to Viet Minh to keep the French in imbalance, but not enough to justify setting into motion the clumsy mechanism of collective security.

The French are losing face and, therefore, local support; Cambodia is openly intriguing to join Thailand, thus hoping to save herself. The French themselves are carrying on only because that is the *quid pro quo* for our support of the franc that would otherwise collapse. Presently, they ask for 400 American technicians in addition to $800 million annually in materials and money. Step by step, they try to draw the U. S. into the battle line in order to quit a war they cannot win. Their promises of last fall for a decisive action during the current season have already been fully discounted. By next summer, French public opinion may be sufficiently aroused to pressure the government to pull out altogether. As long as they stay there, the Indo-China war is a convenient excuse for not entering the European Defense Community.

That leaves the U. S. with three alternatives: to send an army into Indo-China and face a Chinese army entering from the north; to make the limited war unlimited by attacking China herself, or forcing her to divert her forces, such as by landing Chiang's troops from Formosa; or to give up Indo-China altogether, possibly saving Laos and Cambodia. Any of these alternatives is verging on a catastrophe—a catastrophe brought about by the Truman-Marshall policy of surrendering China.

Formosa is another problem child. Chiang's army will disintegrate in due course unless it is used—which would mean the end of our system of alliances both in Europe and in Asia.

The ultimate cause, of course, is the cancerous growth in Asia's body: Red China. Even the one part of the Radford Doctrine that does not call for military action—the economic boycott—is rapidly disintegrating. So, China's internal consolidation will progress and will bring us face to face with a peril that is frightening to contemplate. But we are caught in the meshes of our beloved "collective security" that was supposed to protect mankind against war. It turns out to be the most effective diplomatic instrument the world has ever seen, permitting the beast of the jungle to prepare undisturbed for laying the trap for his prospective prey.

The net result of all frustrations is that we have, in effect, no Oriental policy at all, unless the patchwork of stop-gap measures, over-all procrastinations and recurrent equivocations can be dignified by that name. Implicitly, the Eisenhower-Dulles regime started out by asserting its independence from London and New Delhi, abandoning Acheson's double-faced play with Formosa and the anti colonial demagoguery of the Roosevelt-Truman era. But all good intentions are being eroded by the apparent inability to assert or to follow up definite objectives, leaving matters to drift. Drift they do—in the Moscow-Peiping direction.

Continued from page 6

Equities Investment Program of New York State Savings Banks

of I. I. M. F. before it became our approved list. There are now 186 issues on this approved list.

Our investment adviser maintains continuous supervision of this approved list of stocks, recommending additions or deletions should economic or financial changes make such changes desirable.

Just because a common stock is on the approved list does not mean that it will be purchased promptly, or even that it will ever be purchased, by I. I. M. F. Preparation of this list is merely a first step towards minimizing the risk of common stock investment for mutual savings banks. The list assures only that no common stock will be purchased until it has first met the exacting quality tests applied by our investment adviser and by the directors of I. I. M. F.

The second safeguard to minimize risk is a continuous study of economic conditions, industry trends, company developments and stock market behavior to guide the choice of stocks for purchase and, in some cases, for sale. Since the worth of a common stock will be determined ultimately by future earnings of the company issuing it, we seek to analyze all factors that will affect future earning power in choosing issues for I. I. M. F.'s portfolio.

This country has been enjoying prosperity, with minor interruptions, since 1940. The period has constituted, in many respects, the longest, most protracted boom in our history. True, there are many elements of strength in the American economy, such as the rapid technological advances and the record increases in our population from year to year. But history tells us that periods of sustained prospertiy, during which demands for durable goods tend to be oversatisfied and other maladjustments develop, have always been followed by periods of business recession in which economic maladjustments are corrected and new backlogs of unsatisfied demands are built up.

Whether the slight downturn in business which has occurred since the spring of last year is the beginning of a substantial cyclical recession, or whether it is only a dip in a boom that will go on for some time with the aid of measures our government is taking to sustain the economy at a high level, only time will tell. But the conservative investor in common stocks must assume, under these conditions, that risks are greater than usual. After all, we buy common stocks as long-term investments, and whether the downturn in business comes in 1954, 1955 or 1956, we want to be ready for it well in advance by minimizing the risks we assume in our equity portfolio.

The investor in common stocks can minimize his risk by selecting more defensive issues for his portfolio. A workable definition of a defensive common stock is one that is much less vulnerable than the average issue to the effects of a business recession.

Let me cite an example of how we can minimize risk through the selection of stocks for our portfolio by reference to our large investment in utility stocks.

The electric and gas utility stocks are about the best example of defensive issues. Demand for electric power is stable in a recession except for industrial consumption. And since power sold for industrial purposes carries a relatively low rate, a decline in the use of electric energy for this purpose does not produce a significant decline in gross revenues as a rule. The rates charged by electric utilities also are stable, all the more since they have not been increased materially despite the inflationary rise in commodity prices of the past decade. Utilities are not subject to the inventory losses that can affect industrial stocks adversely in a recession. At the same time, great technological advances have resulted in reduced unit costs that should help greatly to sustain earnings of this industry even under recession conditions.

Institutional Investors Mutual Fund on Dec. 31, 1953 had 18.9% of its resources invested in electric and gas utility stocks, a higher percentage than in any other stock group. It had over two-thirds of its funds in stocks that are predominantly defensive in character, including food, container and retail issues.

Needless to say, we intend to modify this policy when economic and financial conditions change. In a period of business recession, or when stock prices decline sharply for whatever other reason, we will be more interested in acquiring stocks that benefit from prosperity and from growth at prices that will make them good investment values. At such times, these desirable but far more volatile groups of stocks are likely to meet the exacting requirement of savings bank investors that they be purchased with minimum risk.

I. I. M. F. thus provides threefold protection for the common stock portfolio of a savings bank. First, from the very large number of common stocks that savings banks can buy is culled a limited group meeting our high quality standards. This group constitutes the approved list. Secondly, from this approved list stocks are selected for investment when they can be purchased with what professionally trained analysts regard as a minimum risk of depreciation or loss. Thirdly, the portfolio is subject to continuous, intensive supervision, with sales or shifts of holdings when economic and financial conditions indicate that such action is desirable.

A staff of security analysts with specialized training and extended experience in common stock analysis is required to perform these functions competently. In my opinion it is not economical for an individual savings bank to assume the expense of employing such specialized personnel for common stock investment, since at most only 3% of the assets of the bank may be invested in common equities.

I. I. M. F. can do a far more thorough and continuous analytical job than any one savings bank can afford to do. Yet the cost of this complete job to each bank that invests in shares of I. I. M. F. is a small fraction of what it would cost to do a minimum job of security analysis individually.

There is no selling or other "loading" expense in I. I. M. F., as there is in most mutual investment funds, since this Fund has been formed and is conducted solely by and for mutual savings banks in this state. Every dollar invested in I. I. M. F. is invested on behalf of the participating mutual savings banks. Our aim is to have an organization devoted solely to the objective of investing mutual savings bank funds in common stocks with a minimum of risk and maximum advantage to shareholding banks. As the Fund increases in size, the cost of the analytical and portfolio work will be spread over a larger total, with a corresponding reduction in expense per share to the savings banks.

Timing of Equity Purchases

Because of the greater risk involved, more attention must be paid to timing common stock purchases than acquisitions of mortgages or bonds.

The timing hazard is reduced substantially by I. I. M. F. through its portfolio selection policy already described. At times when the risk is greater, defensive issues are heavily favored. This permits us as savings banks to benefit from the higher return provided by equities, and the tax advantage where it is applicable, while minimizing risk.

At times when the more volatile stocks on the approved list are relatively low in price, so that the risk is minimized, we will increase the proportion of such issues in our portfolio.

Individual savings banks can further minimize the timing risk by spreading their purchases of I. I. M. F. shares over a period of time, should they wish. For example, a bank that wants to put $1,000,000 into common stocks may decide to purchase $200,000 of I. I. M. F. shares each year over a period of five years. By the use of a "dollar cost averaging" procedure, the investment in equities is spread over a period of years that will doubtless include periods of relatively low stock prices as well as relatively high prices. One security analyst has aptly referred to this procedure as "diversification as to time."

Moreover, through investing the same number of dollars each year, more shares will be acquired when prices are lower than when they are higher. Thus, dollar averaging tends to reduce the average cost of stocks acquired, a good way to lessen risk.

Yield and Dividends

At the close of 1953, the indicated book yield on stocks held by I. I. M. F. was 5.19% compared with 5.01% as of June 30, 1953. The improvement reflected increases in dividend rates of some equities held and purchase of shares at higher than average book returns.

Directors have resolved to pay out quarterly the income earned and realized net capital gains as dividends to shareholders. A dividend of $15 per share was paid Oct. 15, 1953 and $13.87 will be paid on Jan. 26, 1954, making a total of $28.87 from earnings and capital gains.

The I. I. M. F. Today

The I. I. M. F. was organized less than a year ago. It began operations in May, 1953.

Within this short period, the resources of the Fund have grown to over $6,000,000. A substantial number of the mutual savings banks of the state have found that the Fund is a very useful device for solving the problems of common stock investment for them.

Today, we hold 56 common stock issues in our portfolio, with a marked predominance of issues having defensive characteristics. The performance of an equity fund over a limited period is not significant. However, let me mention in passing that when the Dow-Jones industrials average suffered a decline of 8% from May 15 to its 1953 low point at the middle of September of last year, I. I. M. F. had a maximum decline of approximately 3%. The Fund on Dec. 31, 1953 was 4% above its May 15 value, whereas the Dow-Jones industrials average was 1% higher.

But the performance of I. I. M. F. is not judged by us and should not be judged by its record during any one period of time, short or long. It should be judged solely by whether this Fund will secure for mutual savings banks the higher rate of return while minimizing the risks involved.

We are convinced that I. I. M. F., as now set up and now operated, will do this satisfactorily for the mutual savings banks of New York State at a cost per dollar invested that will become smaller and smaller as the Fund grows in size.

I. I. M. F. Holdings of Common Stocks at Dec. 31

EDITOR'S NOTE: The Institutional Investors Mutual Fund, Inc. started operations on May 1, 1953 and according to its first annual report held common stocks of 56 companies representing 13 industries as of Dec. 31, 1953. As of that date, 63 of the 130 mutual savings banks in New York State were shareholders in the Fund. The following is from the Annual Report.

INSTITUTIONAL INVESTORS MUTUAL FUND, INC.
Market Value of Investments by Industry Classification
Close of December 31, 1953

COMMON STOCKS:

Shares		Market Value	Percent of Total
	CHEMICAL		
1,100	E. I. duPont de Nemours & Company	$118,113	1.94
1,400	Hercules Powder Co.	96,950	1.59
1,700	Texas Gulf Sulphur Company	137,275	2.25
1,400	Union Carbide & Carbon Corporation	103,950	1.71
		$456,288	7.49
	CONTAINERS		
3,900	American Can Company	154,050	2.53
3,000	Continental Can Co., Inc.	163,500	2.69
		$317,550	5.22
	DRUGS		
5,000	Mead Johnson & Co.	76,875	1.26
3,000	Chas. Pfizer & Co., Inc.	100,875	1.66
2,900	Sterling Drug, Inc.	105,850	1.74
		$283,600	4.66
	FINANCE		
2,200	Beneficial Loan Corporation	84,150	1.38
4,800	C.I.T. Financial Corporation	144,000	2.37
3,800	Commercial Credit Company	133,950	2.20
		$362,100	5.95
	FOOD		
2,300	American Chicle Company	112,987	1.86
2,000	The Borden Company	120,500	1.98
1,500	Corn Products Refining Co.	110,438	1.81
1,900	General Foods Corporation	113,762	1.87
1,800	National Dairy Products Corporation	117,450	1.93
1,000	Sunshine Biscuits, Inc.	72,000	1.18
		$647,137	10.63
	METALS		
3,800	Climax Molybdenum Company	$141,550	2.32
	PETROLEUM		
1,900	Continental Oil Company	$98,800	1.62
2,400	The Ohio Oil Company	129,000	2.12
2,000	Phillips Petroleum Company	107,000	1.76
1,600	Shell Oil Company	123,200	2.02
3,000	Skelly Oil Company	106,500	1.75
2,200	Standard Oil Company of California	116,325	1.91
2,300	United Carbon Company	132,825	2.18
		$813,650	13.36
	RETAIL TRADE		
1,300	First National Stores, Inc.	68,250	1.12
2,510	Food Fair Stores, Inc.	78,751	1.29
2,700	H. L. Green Company, Inc.	83,700	1.38
2,000	Jewel Tea Company, Inc.	84,500	1.39
1,600	Montgomery Ward & Co., Inc.	89,600	1.47
1,900	G. C. Murphy Company	82,650	1.36
1,400	J. C. Penney Company	104,300	1.71
		$591,751	9.72
	RUBBER		
1,400	The B. F. Goodrich Company	$107,625	1.77
	SHOES		
2,300	General Shoe Corporation	$97,175	1.60
	TOBACCO		
2,200	American Tobacco Company	$135,300	2.22
1,600	Liggett & Myers Tobacco Co.	103,200	1.70
3,800	Lorillard (P.) Co.	96,900	1.59
3,400	R. J. Reynolds Tobacco Co., Class "B"	134,300	2.21
		$469,700	7.72
	ELECTRIC & GAS		
3,300	American Gas & Electric Company	114,263	1.88
1,700	Carolina Power & Light Co.	70,550	1.16
3,200	Cincinnati Gas & Electric Company	69,600	1.14
1,800	Commonwealth Edison Company	66,825	1.10
2,200	Consolidated Edison Co. of N. Y., Inc.	89,925	1.48
2,300	Consolidated Gas, Electric Light & Power Co. of Baltimore	70,200	1.15
3,200	Gulf States Utilities Company	84,800	1.39
1,400	Idaho Power Company	61,600	1.01
2,700	Kansas City Power & Light Company	86,400	1.42
1,700	Louisville Gas & Electric Co.	69,275	1.14
5,200	Northern States Power Co. (Minn.)	71,500	1.17
3,200	Oklahoma Gas & Electric Company	85,200	1.40
2,100	Philadelphia Electric Company	67,987	1.12
2,700	Virginia Electric Power Company	73,238	1.20
2,300	Wisconsin Electric Power Company	66,412	1.09
		$1,147,775	18.85
	TELEPHONE		
800	American Telephone & Telegraph Co.	$124,900	2.05
	MISCELLANEOUS		
4,700	General American Transportation Corp.	$188,000	3.09
136,810	Total Common Stock	$5,748,801	94.43

U. S. TREASURY OBLIGATIONS:

Par Value			
$300,000	U. S. Treasury Certificates of Indebtedness 2⅝%, due Sept. 15, 1954	$302,531	4.97

CASH AND OTHER ASSETS:

	Cash	$6,060	0.10
	Prepaid Expense	14,287	0.23
	Other Assets (net)	16,405	0.27
		$36,752	0.60
	Net Assets	$6,088,084	100.00

Two With Calif. Investors

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Harry J. Allen and Don W. Cole have been added to the staff of California Investors, 3924 Wilshire Boulevard.

Joins H. L. Robbins

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Robert P. Lindberg is now affiliated with H. L. Robbins & Co., Inc. 40 Pearl Street.

A. J. Wangler Opens

Ambrose J. Wangler is engaging in a securities business from offices at 220 Madison Avenue, New York City.

Now Watson-Lamoreux

SEATTLE, Wash. — The firm name of Forest Watson & Company, 1411 Fourth Avenue Building, has been changed to Watson-Lamoreux, Inc. Forest Watson is President and Boyd Lamoreux Vice-President of the firm.

With Hill Richards Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Al Merrill has become associated with Hill Richards & Co., 155 Montgomery Street. He was formerly with Davies & Co.

Hugo J. Lion

Hugo J. Lion, partner in Bache & Co., New York City, passed away on Feb. 11.

Continued from page 5

The State of Trade and Industry

units, it stated. Continuing, it added Feb. 10 used cars stocks at new car dealers dipped under the Jan. 31 and were 4% below the Nov. 30, 1953 record.

Meanwhile, most United States car and truck producers operated at slightly higher levels the past week as vehicle output spurted almost 3% over the preceding week, according to the statistical agency. This year's 1,000,000th vehicle completion was due on Tuesday of this week.

"Ward's" placed last week's production at an estimated 134,804 cars and trucks, compared to 130,425 a week earlier and 152,029 in the same 1953 period.

The week's gain stemmed principally from Chevrolet, where production was up 10% (some 2,600 units less than one-half day's output) over a week ago; the rise came from partial operations Friday (about 40% of normal), whereas in four prior weeks all final assembly had been down on Fridays. Oldsmoblie also was at a higher pitch, while Cadillac put in its second six-day week in a row, and Ford Division had eight plants working Saturday, compared with only three last week.

Chrysler output climbed 12% as all divisions, excepting DeSoto, worked a five-day week; the latter plant was down on Monday of last week. Hudson final assembly was at a standstill Monday and Tuesday of that week, while Studebaker's South Bend factory was shut down all week as the company took inventory of field stocks. Meantime, Packard returned to production, following a week's inactivity due to parts shortages.

Although building operations reflected a seasonal decline last month, the total valuation of building permits for January rose above the level of a year ago for the sixteenth successive month. The January permit aggregate for 215 cities including New York amounted to $343,938,229, or 12.2% above January, 1953, with $306,568,308, reports Dun & Bradstreet, Inc. Compared with the December volume of $372,858,042 there was a decrease of 7.8%.

Building plans filed in New York City in January called for an expenditure of $32,068,684, up 11.5% over last year's $28,765,075, but 42.6% less than the December figure of $55,856,712.

Geographically, the best year-to-year gains appeared in the East Central and Middle Atlantic regions, up 46.6 and 41.4%, respectively. Declines from a year ago were shown in the South Central, West Central and New England regions.

As is customary in the first month of the year there was a definite upturn in the rate of corporate charterings during January, reports Dun & Bradstreet, Inc. New stock corporations formed in January rose to 9,543, the highest since last March's 9,659, and with that exception, the highest for any previous month since January, 1948. Last month's business charters at 9,543, represented a gain of 7.0% over the December count at 8,915. They slightly exceeded the 9,468 recorded in January, 1953, and were 14.2% more than the 8,357 witnessed in January, 1952.

Comparisons of the individual states were irregular and revealed that 21 states had an increase in the number of new incorporations as compared with January a year ago, as against 27 that showed declines.

Steel Output Scheduled at Lower Rate

Deep in Texas is a good example of why inventories of steel have been lasting longer than most people thought they would, says "Steel," the weekly magazine of metalworking.

Late last fall when steel demand started to drop off, it was quite apparent that many buyers had built up sizable inventories of steel, even though steel supposedly was hard to get. It was commonly said then, states this trade magazine, that demand for steel probably would be sluggish until the inventories had been reduced. The length of time needed to reduce them was dependent on their size and the need for steel.

While this inventory liquidation is going on, steel users are insisting that mills not make deliveries ahead of time in contrast to a year ago when everyone was clamoring for steel from any place and at almost any price, this trade journal notes.

Nevertheless, steel demand is still good enough that mills operated at 74.5% of capacity in the week ended Feb. 21, or an increase of half a point over the preceding week This output is equivalent to an 80% rate on the capacity figure used last year.

To compete with one another for business, steel companies are absorbing freight charges and making scattered price revisions. Last week a producer of seamless boiler tubes cut prices on hot-rolled and cold-drawn grades of that product approximately 10%, this trade weekly reports.

While more steel users are benefiting from freight absorption by mills than from straight reduction in prices, not all steel consumers are happy about freight absorption, it adds. A steel user in Chicago finds that freight absorption is lowering his advantage over his competitors farther away from mill sources of steel. When steel was in strong demand and customers had to pay all of the freight from the mills to their plants, the Chicago buyer didn't have as big a freight bill as his competitors farther from the mills. Consequently, his lower costs gave him a price and earnings advantage over his competitors, concludes "Steel" magazine.

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 72.6% of capacity for the week beginning Feb. 22, 1954, equivalent to 1,730,000 tons of ingots and steel for castings, as against 1,779,000 tons and 74.6% (actual) a week ago.

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

For the like week a month ago the rate was 75.6% and production 1,802,000 tons. A year ago the actual weekly production was placed at 2,240,000 tons. The operating rate is not comparable because capacity was lower than capacity in 1954. The percentage figures for last year are based on annual capacity of 117,547,470 tons as of Jan. 1, 1953.

Electric Output Eases in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Feb. 20, 1954, was estimated at 8,551,000,000 kwh., according to the Edison Electric Institute.

The current figure represents a decrease of 133,000,000 kwh. below the preceding week, but an increase of 355,000,000 kwh., or 4.3% over the comparable 1953 week and 1,090,000,000 kwh. over the like week in 1952.

Car Loadings Continue Under Previous Week and Year Ago

Loadings of revenue freight for the week ended Feb. 13, 1954, decreased 679 cars, or 0.1% below the preceding week, according to the Association of American Railroads.

Loadings totaled 623,706 cars, a decrease of 57,898 cars or 8.5% below the corresponding 1953 week, and a decrease or 114,070 cars or 15.5% below the corresponding 1952 week.

U. S. Auto Output Rises Above Week Ago By Increase at Chevrolet

Automobile output for the latest week rose above a week ago as a result of a step-up in Chevrolet production of 10%, according to "Ward's Automotive Reports."

The industry, "Ward's" states, turned out an estimated 112,130 cars last week, compared with 108,895 (revised) in the previous week. A year ago the weekly production was 125,540.

Last week, the agency reported, there were 22,674 trucks made in this country, as against 21,530 (revised) in the previous week and 26,489 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 9,438 cars and 2,050 trucks last week, against 9,411 cars and 2,244 trucks in the preceding week and 7,945 cars and 1,836 trucks in the comparable 1953 week.

Business Failures Decline Moderately

Commercial and industrial failures declined to 215 in the week ended Feb. 18 from 277 in the preceding week, Dun & Bradstreet, Inc., reports. Although the lowest in the last four weeks, casualties were well above the 176 and 177 which occurred in the comparable weeks of 1953 and 1952. However, failures remained 27% below the prewar level of 293 in 1939.

Casualties involving liabilities of $5,000 or more fell to 184 from 244 a week ago, but exceeded the 147 recorded in this size group last year. A slight dip appeared among small failures, those with liabilities under $5,000, which were off to 31 from 33 and compared with 29 in the corresponding week of 1953. Fourteen of the failing concerns had liabilities of $100,000 or more, compared with 28 in the previous week.

Wholesale Food Price Index Reaches Highest Point in Two and One-Half Years

The wholesale food price index, compiled by Dun & Bradstreet, Inc., registered a further mild rise from $7.09 last week to $7.11 on Feb. 16, the highest level in over two and one-half years. It compared with $6.20 on the corresponding 1953 date, or an increase of 14.7%.

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 Level Little Changed From Week Ago

The general commodity price level, as measured by the Dun & Bradstreet daily wholesale commodity price index, showed little change in the past week. The index closed at 275.81 on February 16, as compared with 276.45 a week previous, and with 278.16 on the comparable date last year.

Grain markets were unsettled, with price movements irregular.

Continued strength in the cash wheat markets reflected the huge holdings of the bread cereal under price support and reports of dry weather over a large part of the mid-western wheat belt.

Corn prices trended lower, influenced by increased receipts in the cash market and mild weather throughout the belt. Oats and rye prices were somewhat easier largely in sympathy with corn. Trading in grain and soybean futures on the Chicago Board of Trade declined slightly last week. Daily average sales totaled 39,200,000 bushels, against 41,000,000 a week previous, and 72,300,000 in the same week a year ago.

Trading in the domestic flour market was slow last week following rather substantial bookings of hard Winter and Spring wheat flours in preceding weeks. Business in family flour showed some improvement as many buyers extended their coverage for the next three months.

The rising trend in coffee was accelerated in the latter part of the week as futures prices rose to new all-time highs following announcement that leading chain stores had advanced their prices for bagged coffee by five cents a pound.

Cocoa registered further substantial price gains last week. The advance reflected strength in the London market, high asking prices in producing countries and a scarcity of offerings in this country. Warehouse stocks of cocoa rose slightly to 79,000 bags, from 78,588 a week earlier, and compared with 72,864 bags a year ago. Lard was firm with loose lard selling at 16¼ cents a pound, a new high for the year. Following early weakness, live hog values trended higher, aided by advancing wholesale pork prices and smallest market receipts for any February week since 1947.

Spot cotton values continued the gradual uptrend which has been in evidence during the past six weeks. The current New York spot quotation at 35.15 cents a pound, contrasts with 33.85 at the start of the year, and with 33.55 at this time a year ago.

The main supporting influence was the increase in export trade which reached a fairly large aggregate and encouraged the belief that export shipments in the latter half of the season will witness a decided improvement.

Another favorable factor was the continuing increase in government holdings although loan entries during the week ended February 5, dropped to 106,500 bales, from 170,200 in the preceding week. Domestic mill demand was fairly active with sales reaching moderate proportions as offerings of qualities in best demand continued limited in volume. Reported purchases in the ten spot markets declined moderately to 131,400 bales last week, from 137,900 the preceding week, and compared with 86,500 a year ago.

Trade Volume Registers Moderate Contraction in Latest Week

Retail sales in the period ended on Wednesday of last week, were somewhat below the high level of the preceding week but continued to be close to the record level of a year ago.

Installment buying was somewhat diminished from the early 1953 levels but the total amount of consumer credit outstanding topped the year-ago mark by a considerable margin.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 1% below to 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 Pacific Coast —2 to +2; South +1 to +5; Midwest and Southwest —3 to +1 and Northwest 0 to +4.

Food volume was above the preceding week and at about the same level as in 1953. Beef and poultry sales continued to be moderately above the like year-ago period while pork volume was somewhat lower. The recent cold spell resulted in increased fresh fruit and vegetable prices.

Spending for house furnishings was somewhat below the year-ago period and slightly below the preceding week. Furniture and bedding volume was unchanged from the previous year. Sales of appliances were moderately under the 1953 level.

Television purchasing was spotty as some areas reported increases from the year-ago level while other areas reported substantial declines.

The volume of wholesale trade, in the week rose somewhat from the level of the preceding week but remained moderately below the comparable year-ago period. While there was no market increase in individual buying, the number of orders was steady. Deliveries were somewhat more prompt than in recent weeks as most traders became accustomed to the demand for short-term orders.

Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index, for the week ended Feb. 13, 1954, decreased 1% below the level of the preceding week. In the previous week, Feb. 6, 1954, a decrease of 2% (revised) was reported from that of the similar week in 1953. For the four weeks ended Feb. 13, 1954, a decline of 1% was reported. For the period *Jan. 1 to Feb. 13, 1954, department stores sales registered a decrease of 1% below the corresponding period of 1953.

Retail trade in New York last week responded favorably to the balmy weather and spring apparel purchases lifted sales volume by 1 to 2% above the like week a year ago.

According to the Federal Reserve Board's index department stores sales in New York City for the weekly period ended Feb. 13, 1954, registered an increase of 2% above the like period of last year. In the preceding week, Feb. 6, 1954, an increase of 1% (revised) was reported from that of the similar week of 1953, while for the four weeks ended Feb. 13, 1954, an increase of 3% was reported. For the period *Jan. 1 to Feb. 13, 1954, an increase of 1% was registered over that of the 1953 period.

***Comparison period begins with the Jan. 4-9 week in 1954 and with the Jan. 5-10 week in 1953.**

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Feb. 28	§72.6	*74.6	75.6	99.4
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 28	§1,730,000	1,779,000	1,802,000	2,240,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Feb. 13	6,321,700	6,271,250	6,332,550	6,544,500
Crude runs to stills—daily average (bbls.)	Feb. 13	¶7,030,000	6,879,000	6,968,000	7,017,000
Gasoline output (bbls.)	Feb. 13	24,421,000	24,344,000	24,163,000	23,522,000
Kerosene output (bbls.)	Feb. 13	2,843,000	2,738,000	2,836,000	2,708,000
Distillate fuel oil output (bbls.)	Feb. 13	10,683,000	10,978,000	10,323,000	10,528,000
Residual fuel oil output (bbls.)	Feb. 13	8,499,000	8,549,000	8,923,000	8,773,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 13	175,908,000	171,972,000	165,551,000	154,686,000
Kerosene (bbls.) at	Feb. 13	20,041,000	21,056,000	25,873,000	21,815,000
Distillate fuel oil (bbls.) at	Feb. 13	73,754,000	78,468,000	99,675,000	74,978,000
Residual fuel oil (bbls.) at	Feb. 13	45,901,000	45,885,000	49,066,000	45,954,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 13	623,706	624,385	619,871	681,604
Revenue freight received from connections (no. of cars)	Feb. 13	603,350	611,995	582,053	665,031
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 18	$149,692,000	$196,885,000	$173,545,000	$144,052,000
Private construction	Feb. 18	96,392,000	132,020,000	103,189,000	81,403,000
Public construction	Feb. 18	53,300,000	64,865,000	70,356,000	62,649,000
State and municipal	Feb. 18	48,505,000	48,227,000	51,844,000	34,393,000
Federal	Feb. 18	4,795,000	16,638,000	18,512,000	28,256,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 13	7,595,000	7,835,000	8,180,000	8,350,000
Pennsylvania anthracite (tons)	Feb. 13	590,000	651,000	685,000	527,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Feb. 13	91	*86	85	92
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 20	8,551,000	8,684,000	9,014,000	8,196,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Feb. 18	215	277	208	176
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 16	4.634c	4.634c	4.634c	4.376c
Pig iron (per gross ton)	Feb. 16	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	Feb. 16	$25.33	$26.67	$28.50	$43.67
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 17	29.700c	29.700c	29.675c	24.200c
Export refinery at	Feb. 17	29.150c	29.350c	28.675c	34.575c
Straits tin (New York) at	Feb. 17	85.250c	85.000c	85.000c	121.500c
Lead (New York) at	Feb. 17	13.000c	13.000c	13.500c	13.500c
Lead (St. Louis) at	Feb. 17	12.800c	12.800c	13.300c	13.300c
Zinc (East St. Louis) at	Feb. 17	9.250c	9.500c	10.000c	11.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 23	98.97	98.42	97.03	95.30
Average corporate	Feb. 23	109.24	108.88	107.27	108.16
Aaa	Feb. 23	114.66	114.27	112.19	111.62
Aa	Feb. 23	111.07	111.07	109.42	110.34
A	Feb. 23	108.88	108.70	107.09	107.27
Baa	Feb. 23	102.63	102.30	100.98	103.47
Railroad Group	Feb. 23	107.09	106.92	105.00	106.04
Public Utilities Group	Feb. 23	109.24	109.06	107.80	107.62
Industrials Group	Feb. 23	111.25	110.88	109.24	110.70
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 23	2.57	2.61	2.64	2.84
Average corporate	Feb. 23	3.21	3.23	3.32	3.27
Aaa	Feb. 23	2.92	2.94	3.05	3.08
Aa	Feb. 23	3.11	3.11	3.20	3.15
A	Feb. 23	3.23	3.24	3.33	3.32
Baa	Feb. 23	3.59	3.61	3.69	3.54
Railroad Group	Feb. 23	3.33	3.34	3.45	3.39
Public Utilities Group	Feb. 23	3.21	3.22	3.29	3.30
Industrials Group	Feb. 23	3.10	3.12	3.21	3.13
MOODY'S COMMODITY INDEX	Feb. 23	425.6	422.7	417.6	410.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 13	216,205	275,060	223,396	217,420
Production (tons)	Feb. 13	237,563	228,571	243,316	245,665
Percentage of activity	Feb. 13	91	89	91	95
Unfilled orders (tons) at end of period	Feb. 13	355,213	377,082	390,294	514,273
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Feb. 19	107.17	107.05	107.83	107.17
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	Feb. 6	963,701	1,004,092	863,821	1,036,903
Dollar value	Feb. 6	$44,463,075	$44,438,780	$38,131,438	$44,249,552
Odd-lot purchases by dealers (customers' sales)†—					
Number of shares—Total sales	Feb. 6	888,177	940,833	668,498	879,779
Customers' short sales	Feb. 6	8,831	10,348	8,092	5,930
Customers' other sales	Feb. 6	879,346	930,485	660,406	873,849
Dollar value	Feb. 6	$38,117,821	$39,698,255	$27,318,721	$35,217,630
Round-lot sales by dealers—					
Number of shares—Total sales	Feb. 6	257,590	296,150	208,270	266,590
Short sales	Feb. 6	------	------	------	------
Other sales	Feb. 6	257,590	296,150	208,270	266,590
Round-lot purchases by dealers—					
Number of shares	Feb. 6	350,500	354,870	344,460	380,960
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. 30	426,280	350,460	183,790	261,770
Other sales	Jan. 30	9,707,950	9,172,770	8,397,870	8,435,740
Total sales	Jan. 30	10,134,230	9,523,230	8,581,660	8,697,510
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 30	999,330	961,350	742,990	867,250
Short sales	Jan. 30	220,510	179,710	95,580	150,920
Other sales	Jan. 30	820,280	816,220	583,430	685,170
Total sales	Jan. 30	1,040,790	995,930	679,010	836,090
Other transactions initiated on the floor—					
Total purchases	Jan. 30	297,000	305,350	187,410	191,790
Short sales	Jan. 30	22,900	16,500	5,500	10,500
Other sales	Jan. 30	299,810	321,960	143,610	201,010
Total sales	Jan. 30	322,710	338,460	149,110	211,510
Other transactions initiated off the floor—					
Total purchases	Jan. 30	361,384	349,882	341,700	302,710
Short sales	Jan. 30	38,670	38,030	23,300	53,550
Other sales	Jan. 30	423,600	457,065	223,297	300,152
Total sales	Jan. 30	462,270	495,095	246,597	353,702
Total round-lot transactions for account of members—					
Total purchases	Jan. 30	1,657,714	1,616,582	1,272,100	1,361,750
Short sales	Jan. 30	282,080	234,240	124,380	214,970
Other sales	Jan. 30	1,543,690	1,595,245	950,337	1,186,332
Total sales	Jan. 30	1,825,770	1,829,485	1,074,717	1,401,302
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Feb. 16	110.5	110.5	110.9	109.6
Farm products	Feb. 16	98.0	98.2	98.4	98.5
Processed foods	Feb. 16	105.1	104.7	105.9	105.3
Meats	Feb. 16	92.3	91.1	95.8	97.6
All commodities other than farm and foods	Feb. 16	114.3	114.4	114.5	112.8

*Revised figure. ¶Includes 619,000 barrels of foreign crude runs. §Based on new annual capacity of 124,330,410 tons as of Jan. 1, 1954, as against the Jan. 1, 1953 basis of 117,547,470 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
AMERICAN PETROLEUM INSTITUTE—Month of November:			
Total domestic production (barrels of 42 gallons each)	208,846,000	214,978,000	214,007,000
Domestic crude oil output (barrels)	188,315,000	194,108,000	194,611,000
Natural gasoline output (barrels)	20,493,000	20,837,000	19,360,000
Benzol output (barrels)	38,000	33,000	36,000
Crude oil imports (barrels)	19,444,000	19,806,000	18,709,000
Refined products imports (barrels)	14,147,000	10,883,000	10,882,000
Indicated consumption domestic and export (barrels)	243,510,000	238,122,000	239,877,000
Increase all stock (barrels)	‡‡1,773,000	7,545,000	3,641,000
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Jan. 31:			
Imports	$265,768,000	$273,830,000	$225,052,000
Exports	157,258,000	154,308,000	120,442,000
Domestic shipments	10,599,000	10,225,000	7,543,000
Domestic warehouse credits	62,257,000	64,437,000	57,512,000
Dollar exchange	44,532,000	28,770,000	42,558,000
Based on goods stored and shipped between foreign countries	45,537,000	42,509,000	34,380,000
Total	$585,951,000	$574,079,000	$487,487,000
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of January (in millions):			
Total new construction	$2,425	$2,661	$2,361
Private construction	1,713	1,908	1,627
Residential building (nonfarm)	825	952	816
New dwelling units	735	850	735
Additions and alterations	67	78	63
Nonhousekeeping	23	24	18
Nonresidential building (nonfarm)	487	505	431
Industrial	180	176	201
Commercial	164	182	108
Warehouses, office and loft buildings	75	79	50
Stores, restaurants and garages	89	103	58
Other nonresidential building	143	147	122
Religious	43	45	35
Educational	39	39	32
Social and recreational	16	17	11
Hospital and institutional	26	26	27
Miscellaneous	19	20	17
Farm construction	87	88	97
Public utilities	307	354	275
Railroad	30	44	29
Telephone and telegraph	46	47	44
Other public utilities	231	263	202
All other private	7	9	8
Public construction	712	753	734
Residential building	35	39	47
Nonresidential building	333	336	331
Industrial	122	123	134
Educational	155	155	132
Hospital and institutional	21	21	34
Other nonresidential building	35	37	31
Military and naval facilities	85	92	106
Highways	125	145	115
Sewer and water	61	63	56
Miscellaneous public service enterprises	13	13	13
Conservation and development	51	56	61
All other public	9	9	5
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of January:			
Manufacturing number	192	193	130
Wholesale number	79	85	66
Retail number	450	382	334
Construction number	86	89	78
Commercial service number	60	64	39
Total number	867	813	647
Manufacturing liabilities	$11,431,000	$23,731,000	$9,107,000
Wholesale liabilities	3,238,000	4,241,000	2,590,000
Retail liabilities	8,623,000	9,757,000	8,009,000
Construction liabilities	3,166,000	4,154,000	2,735,000
Commercial service liabilities	3,134,000	1,871,000	868,000
Total liabilities	$29,592,000	$43,754,000	$23,309,000
COPPER INSTITUTE—For month of January:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	84,342	88,732	81,625
Refined (tons of 2,000 pounds)	111,553	123,296	108,010
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	77,091	112,244	125,133
Refined copper stocks at end of period (tons of 2,000 pounds)	108,121	89,193	59,836
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of Jan.:			
Seasonally adjusted	125	127	134
Unadjusted	124	125	132
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of Dec.	£3,345,000	£22,555,000	£10,322,000
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of November:			
Net railway operating income	$78,526,182	$107,331,350	$111,022,388
Other income	21,088,581	21,296,242	16,940,529
Total income	99,614,763	128,627,592	127,962,917
Miscellaneous deductions from income	4,089,491	4,168,715	4,167,939
Income available for fixed charges	95,525,272	124,458,877	123,794,978
Income after fixed charges	61,863.458	90,617,234	90,408,039
Other deductions	2,903,355	2,938,671	2,977,494
Net income	58,960,103	87,678,563	87,430,545
Depreciation (way & structure & equipment)	43,002,520	42,682,178	41,543,024
Federal income taxes	24,440,232	57,178,847	63,993,961
Dividend appropriations:			
On common stock	61,296,222	23,188,644	47,577,619
On preferred stock	7,456,710	6,723,082	10,059,211
Ratio of income to fixed charges	2.84	3.68	3.71
U. S. GOVT. STATUTORY DEBT LIMITATION—As of Jan. 31 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	274,848,511	275,168,120	267,402,058
Guaranteed obligations not owned by the Treasury	75,097	75,638	48,176
Total gross public debt and guaranteed obligations	$274,923,609	$275,243,758	$267,450,235
Deduct—other outstanding public debt obligations not subject to debt limitation	561,209	572,857	612,775
Grand total outstanding	$274.362,399	$274,670,901	$266,837,459
Balance face amount of obligations, issuable under above authority	637,600	320,098	8,162,540

‡‡Decrease all stocks.

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Taxation and Investment In the Business Outlook

own integrity to economic requirements outside its frame of reference.

Taxation

With taxation, the situation is entirely different. Taxes should be imposed, except when used for purposes of reform, in order to help protect the stability of the dollar and to aid in the advancement of the economic order. If taxes are imposed for these reasons, taxes can be un-imposed for the same reasons. The major and perhaps decisive factor in the program to maintain high levels of economic activity and employment is Federal tax policy.

The present situation is untenable and cannot last. The public thinks and continues to be taught that the purpose of taxation is to balance the budget. But what "budget" and what "balance"? How long will we continue with the obsolete concepts that control our search for a sound policy of taxation?

For the past three years the Federal Government has been reporting an annual deficit running into billions of dollars. By this time one might have thought that inflation was just around the corner.

One of two things must happen, either the budget must be reformed, or the public must be taught to accept a large Federal deficit as the normal way of life, at least in the ever-increasingly productive American economy. The decision as to which road to take is a tough one, but it cannot be evaded by an administration committed to using the powers of the Federal Government for the avoidance of mass unemployment. My own preference is for budget reform, but that is another story.

In either case the apparent requirement for taxes is much too high. Last year the overstatement of tax requirements was about $12 billion. This year it is about $8 billion. And sooner or later this overstatement of tax requirements will have to stop. Unemployment will force it to stop.

The Prospect for Taxes in 1954

The immediate prospect for taxes is lower rates than have been recommended by the Administration.

In my opinion, there will be no tax increases; the extra rates of excises scheduled to run off on April 1 will be permitted to run off; the tax on corporate profits will drop to 47% on April 1 as presently provided by law. The 47% rate can be changed only by affirmative legislation; it cannot be upset by a Presidential veto. Businessmen do not seem to realize that this change in the tax on business means a 10% increase in profits after taxes.

Except for the excise taxes remaining on tobacco, alcohol and gasoline after April 1, it would be desirable to remove completely all excise taxes. These consumption taxes are inequitable, they are bad for business, they are bad for employment. Altogether, the net loss of revenue from eliminating the excises as stated above I estimate at less than $3½ billion.

Furthermore, unless there is a clear reversal upward in the trend of business and employment before May or June, the exemption in the individual income tax should be raised. The amount of the increase should be judged in terms of the then existing business conditions, unemployment and business outlook. With individual income taxes on a current basis, raising the exemptions is by far the most powerful single anti-depression instrument in the government's hands. Not only is this a strong economic measure; raising exemptions would provide a certain element of justice as well since the exemptions have not been raised in recent years to correspond to price level increases.

Other tax revisions that have been recommended and that will be recommended are also useful as measures of equity and incentive. Among these is the important recommendation about making a start toward the elimination of double taxation of corporate profits. But these changes cannot be expected to operate on the massive scale that will be required—if not in 1954 then sometime between now and 1960.

Except for a marked and continuing increase in individual savings in excess of all possibilities of reinvestment, I can see no danger of a deep or of a protracted depression. Many fundamental differences exist in our economy today as compared with 1929-1933. But the big difference in the markets is this: in the early 'thirties, people were forced to sell against their wishes; today people are able to buy if they so please. This is the difference between night and day, between weakness and strength. For those who wish to judge the future by the past, let them study the past.

Savings and Investment

The financial advisor who concerns himself with the business outlook and with possible developments in Federal fiscal policy must recognize that the investor as an individual has a number of problems, some of which are related to the business outlook and some of which are not. As I see his problems, they fall roughly under five headings: (1) Liquidity, (2) Insurance, (3) Retirement, (4) Doing the best he can with his surplus savings, and (5) For the more sophisticated, doing the best he can with other people's money.

Liquidity and Insurance

Liquidity means cash money available on demand. It means the ability to meet emergencies. It means the ability to do things without asking anybody's permission or telling anyone what you intend to do. Liquidity is more than economic strength, it is a foundation stone of personal freedom. The requirements for liquidity will differ from individual to individual and from family to family, but whatever they are, they should never be comprised by alternative investment activities.

Insurance, in covering the inescapable risks of living, reduces the need for liquidity. Insurance is, therefore, a cost of alternative investment, as well as an aid to peace of mind and a clear conscience. Insurance is not an efficient way to save except for those who find it difficult to save systematically in any other way. Of these I was once one, and I know it. And I am grateful for insurance savings.

Retirement

Retirement provisions are becoming more and more important. The concern with retirement reflects big changes in our way of life, not in our strength of character as some seem to imply. We live longer; we are farther from the land; our skills are more specialized even if more productive; we no longer rule absolutely as head of a household that, as a matter of custom and duty, will provide for us a living in the style proper to us—and indefinitely.

Institutional arrangements for retirement, governmental and industrial, have come into being and are being improved from year to year. But most individuals want something more, and this something more is generally provided by systematic savings.

Depending on how firm the retirement base of an individual is in institutional arrangements, and with due consideration to his personal obligations and requirements, I favor placing the bulk of systematic savings in equity situations. Recognition of this principle has been given recently by the Teachers Insurance and Annuity Assocation, a child of the Carnegie Foundation, in setting up a mutual fund, under special legislation in New York State, called the College Retirement Equity Fund. You have doubtless heard something of this Fund, and I predict you will hear more.

CREF, as the Fund is called from its intials, was set up as a partial hedge against inflation. And not only is the fund invested exclusively in common stocks, but the annuity when payable is stated not in dollars but as a fixed number of annuity units per month, the value of which is determined by the behavior of the Fund.

CREF has done something more than provide a partial hedge against inflation; it also gives to the college professor, as does any diversified investment fund in equities, a certain, even if indeterminate, untaxed access to the undistributed profits of corporations. To take an example from a mutual fund with which I am associated, the Growth Stocks Series of National Securities Series, the shares of the 60 issues in this Fund had a 1953 year-end book value of $8.25 per share; dividends paid in 1953 were $0.50 per share, but earnings per share were $1.25 or $0.75 a share more than dividends. In other words, 60% of earnings were ploughed back by these companies. Other diversified investment companies have similar experience with respect to their equity investments, and, of course, so will CREF to the great benefit of the college professor annuitant. So much for liquidity, insurance and retirement.

Investments

Next comes the problem of doing the best the individual can with his surplus savings. Here I feel definitely the indicated investment is in equities, common stocks—or in certain cases and for certain individuals, in land.

As for common stocks, the choice is between the securities of one or more specific companies, or the stock of a diversified investment fund. For most individuals without special interests or some financial background or sound investment advice, the diversified investment fund is clearly more suitable. But we must not overlook the human interest values that come from owning the stock of a company for which we work, or which is located in our own town, or whose products we use, or which we can read about in the newspapers. As in most questions of investment, there is a good deal to be said for all forms, and it is in the adaptation to the needs of the individual that skill and judgment are required.

Finally, let us recognize that for the more sophisticated there is the problem of doing the best he can with other people's money. This statement in this form may sound predatory, if not downright sinister; but it represents an area of savings and investment that covers a wide range of financial decisions. For example, shall I rent, or shall I buy a home on a mortgage? What should I do about instalment buying? Should I use while I save, or should I save before I enjoy? What should I do in the face of a big emergency? Should I borrow or should I use my savings or should I sell? What about borrowing to buy securities? How much? From whom? These are questions that need to be answered for most people who save and invest—and that means for most people.

The Professional Attitude

In closing my remarks, I wish to refer to the competition that exists between different forms of savings and investment, and between the various institutions and organizations that sponsor them. Sometimes this competition is educational and valuable, sometimes it is unnecessary and wasteful, sometimes it is deplorable and unprofessional.

I like to think of the services which are rendered to the community by the financial institutions as being on an authentic professional basis. They provide service based on highly technical knowledge and skill; they do not provide articles of commerce that are manufactured and distributed, and of which the ordinary intelligent consumer can have a reasonable opinion of his own. For that reason a special public responsibility attaches to the financial services, just as in a similar way it attaches to medicine and to law. To the extent that professional standards are adhered to by the financial community, the country will be the better served, and the financial community will be respected and will prosper.

Continued from page 16

What We Face in Korea

supplying of the North Korean armies. For all of you are thoroughly familiar with those facts. But we all know that one gesture from Moscow and the Communist fighting in Korea would have stopped.

Nor shall I dwell on the fighting and the events leading to the Armistice signing on July 27, 1953; nor on the drafting history of Paragraph 60, incorporated into the Armistice Agreement.

The Armistice Agreement was signed by military commanders on both sides. One side is made up of the 16 members of the United Nations contributing troops and the Republic of Korea. The other side consists of the Chinese Communists and the North Korean Communists.

Paragraph 60 recommended "to the governments of the countries concerned on both sides" that "a political conference of a higher level of both sides" be held by October 28th by representatives appointed respectively in order "to settle through negotiation the questions of the withdrawal of all foreign forces from Korea, the peaceful settlement of the Korean questions, etc."

The Armistice Agreement itself was designed to bring about "a complete cessation of hostilities and of all acts of armed force in Korea until a peaceful settlement is achieved." The Armistice remains in effect until expressly superseded.

The time the political conference is held or not held does not affect the continuation of the Armistice.

Most of you know Stanton Griffis and the fact that he had a distinguished ambassadorial career. Some of you may not know that his father, William Elliott Griffis, was a distinguished authority on the Far East and the author of "Corea, The Hermit Nation," and that as a boy in Ithaca, New York, I worked with him on verifying footnotes to some of his works on the Far East.

Little did I then think that on the nomination of an investment banker, Walter Robertson, Assistant Secretary of State for the Far East, I would some day find myself in the mountains of Panmunjom in Korea attempting to negotiate with the Chinese Communists and the North Korean Communists on time, place and composition of a political conference called for by Paragraph 60 of the Armistice Agreement.

As a result of the Cairo Declaration in December, 1943, the Potsdam Declaration of July, 1945, and the U.S.S.R. Declaration of War against Japan, August 8, 1945, the "Korean question" referred to in Paragraph 60 of the Armistice agreement may be defined as the unification of a free, independent and democratic Korea. The "withdrawal of all foreign forces" referred to in Paragraph 60 was defined in the Armistice negotiations to mean the withdrawal of "non-Korean forces."

At these preliminary talks in Panmunjom to attempt to settle time, place and composition of the political conference, I had the honor to represent all of the members of our side—i.e., the United Nations who had contributed troops and the Republic of Korea.

I will not go into details with respect to time and place for the conference except to say that in my judgment they do not constitute any really insuperable problems in our negotiations with the other side.

Peace Conference Problems

There were six principal problems:

(a) the capacity in which the U.S.S.R. should attend—as a "neutral" or as a full participant and on the "other side" or as a third party, (b) whether neutrals should attend at all, and, if so, "who" and the extent of their participation, (c) the voting rights of the two sides, i.e., if each side was to vote as a unit, whether each member of that side was to be affirmatively bound on all questions to which that side voted "Aye," (d) the items on the agenda and the order of these items on the agenda, the scheduling of debate, etc., (e) the make up of the conference's secretariat, it being our position it should be supplied by the Secretary General of the United Nations, and (f) the agenda at the political conference itself. We were not supposed to discuss the agenda at the preliminary talks but the other side insisted on raising it.

First: Would our side under any circumstances, as demanded by the other side, permit the U.S.S.R. to be present at the Political Conference as a "neutral"? The other side insisted that in signing the Armistice Agreement we had agreed to the definition of a "neutral" contained in Paragraph 37 setting up the Neutral Nations Supervisory Commission, which provides as follws:

"The term 'neutral nations' as herein used is defined as those nations whose combatant forces have not participated in the hostilities in Korea." We, of course, insisted that this definition only referred to the setting up of that Commission and did not bind us as to the status of the U.S.S.R.

Second: The other side also insisted that there should be present as neutrals such nations as Burma, India, Indonesia and Pakistan. That is, nations who actually had not participated in the hostilities.

Throughout the history of the Armistice negotiations, however, the "other side" had been insisting that a nation which had not actually contributed troops to the hostilities at Korea could not be represented at the political conference "of a higher level of both sides."

We were confident that the other side was demanding that the U.S.S.R. be at the Political Conference at a "neutral" along with the other nations named, in order that later on for propaganda purposes, they could insist, if we were to accept the U.S.S.R. as a "neutral" at the Political Conference, that our charge that the U.S.S.R. inspired the aggression against the Republic of Korea would be proven false.

Third: As to neutrals other than Russia, although President Rhee did not see the necessity for having any neutrals, we feel confident we could work out a satisfactory formula for certain countries who did not participate in the hostilities to attend as "non voting observers" with the right to participate at the conference on the settlement of the items on the agenda but without the right to initiate proposals or to vote. We think the other side's proposal as to neutrals was only to divide us from the British Commonwealth of Nations, of which India is a member.

Fourth: As to voting rights, although the other side was insisting that any voting participant had the right to continue to discuss any item on the agenda until everyone on both sides was prepared to agree and was taunting us about the alleged inconsistency between each side's voting as a unit and any member on each side electing not to be bound by a particular vote, we believed we were well on the way to a solution of that problem.

Fifth: As to secretariat, we feel that that was capable of solution through the good offices of the Secretary General of the United Nations.

Why Russia Should Abide by Results of Conference

While we could not accept the U.S.S.R. as a "neutral" we, of course, wanted to work out some way so the U.S.S.R. would be bound by the results of the conference. Why?

Well, if you will look at the map and note Korea's geographical propinquity to China and Manchuria on the west, Manchuria on the North, and the U.S.S.R. on the northeast, which surround it like gigantic pincers, and if you will look about 200 miles to the west from Pyongyang, you will find on the Liaotung Peninsula the great naval and industrial cities of Dairen and Port Arthur, which is the eastern terminus of the Chinese Eastern Railroad. The great industrial city of Mukden is about 100 miles from the North Korean border. Then to the north is the steel city of Anshan. And the important industrial and railroad center of Harbin lies about 250 miles to the north. Just 60 miles to the northeast of the island of Chongjin you will find the large Russian naval center of Vladivostok, which is also the eastern terminus of the Trans-Siberian Railroad.

Thus you can easily see that it would not be much of a problem for the other side to withdraw non-Korean forces into China or Manchuria a relatively short distance north or west across the Yalu and then insist that our forces should be withdrawn across the Pacific.

It is also apparent why we were contending that as an important neighbor of Korea the U.S.S.R. should be at the conference or bound by its results in some way. But we felt that she should be there, not as a "neutral" — but rather as a full voting participant and as one who would then be bound to carry out her obligations with respect to the unification of Korea which she had previously made and which she has so far persistently declined to fulfill.

Negotiations with the Communists are always difficult for they use the negotiating forum as a platform for propaganda. It is somewhat risky to predict the outcome of uncertain events in the future.

But I believe if we should ever arrange the political conference itself that the question of composition and voting procedures at the political conference could be resolved; and that we could work out appropriate arrangements with respect to implementing of the obligations of the U. S. S. R.

When I say I believe the questions could be resolved, let me emphasize, the resolution would necessarily involve long negotiations with the Communists and that the negotiations would be very tedious, difficult and time consuming.

I merely mean that I believe that this problem of arranging with the other side for the time, place and composition and voting procedures at the political conference, as in the case of most other problems to which you bring intensive study, intelligence, patience, reasonableness, resourcefulness and firmness will ultimately lend itself to a solution.

As to how long it will take to arrange the conference, I do not pretend to know. The Four-Power Conference and the requested session of the United Nations General Assembly have a bearing.

Unification Problems

The problem of what we can do with respect to achieving the unification of Korea and the withdrawal of the Chinese forces from Korea is exceptionally difficult. The Korean people are remarkably homogeneous. Because of military considerations in World War II the U. S. S. R. was permitted to accept the surrender of the Japanese troops north of the 38th parallel. The U. S. S. R. then converted that parallel into a political barrier. Except for that there is no difference between the Korean people north of the 38th parallel and south of the 38th parallel any more than there would be if a conquering Communist army were to divide the financial district north and south of Wall Street and we were then to refer to the "North Wall Streeters" and "South Wall Streeters" and communication and travel between the Communist and non-Communist zones were prohibited.

The biggest percentage of water power installations is in the northern part of Korea. The bulk of the chemical industries, electro-chemical industries, fertilizer plants, cement plants, and mines and heavy timber are located likewise north of the 38th parallel. The two parts of Korea hence are reciprocal and need each other.

It is an over simplification but the bulk of the population south of the 38th parallel are employed in agriculture and fisheries, and a relatively small amount in cotton textiles, chemicals, pottery, brass, machinery and glass.

Under the able leadership of C. Tyler Wood, whom many of you know, we are endeavoring by our economic aid to bring about the effective economic rehabilitation of South Korea. President Eisenhower has said that if we could bring about a satisfactory unification of Korea, we are, of course, prepared to extend our aid to the North.

Communist reports are very misleading and conveniently omit statistics. But from all present reports it would seem that the Chinese Communists with the aid, or at least promised aid, from the U. S. S. R., East Germany, Czechoslovakia, Rumania, Hungary and Poland, are doing their best to incorporate the economic life of North Korea into that of Manchuria and Communist China and to prevent the unification of North and South Korea into a free, independent, united and democratic Korea.

The much harassed and sorely tried people of Korea deserve a better fate. Their soldiers fought bravely and gallantly by the side of our own and the other members of the UN Command. No people has ever defended itself more bravely or more courageously. Their leadership under President Syngman Rhee, is inspiring, gallant and cooperative.

When you see the terrible destruction in Korea and the hard, grinding, unremitting toil which is the daily lot of the Korean people today, and the happy, bright-faced children trooping to school—most inadequately clad at this time of the rather severe Korean winter—your heart goes out to them and you wish that there was some way you could bring an end to their terrific meed of trial, tribulation and suffering.

Many people have said to me that it must have been a very trying, cheerless and frustrating experience to have attempted to deal with the Communists.

But, the need of the Korean people is so stark and great, President Syngman Rhee and the Korean leaders and our own military men are so unselfish and devoted to their tasks, and the problem itself is such an unusual and challenging one, I assure you I did not consider it an unrewarding or frustrating experience.

On the contrary, when Secretary of State Dulles and Assistant Secretary of State for the Far East Robertson asked me, I considered myself privileged to be able to represent the American people and to work with President Rhee and his Cabinet and the other 15 nations I was representing in order to attempt to accomplish something for the Korean people, the peace of the world and our own armed forces—to whom peace means so much.

In the last few days there has occurred in Korea what is, at the same time, one of the most tragic and one of the most moving and humane episodes in history and a resounding blow to Communism.

The War Prisoner Issue

For many years governments and international lawyers, interested in peace and order and fairness among men, have endeavored through diplomatic representations and international conferences to demand that those hapless prisoners captured in war, should be returned to their own homes after the cessation of hostilities as a matter of *right*.

In this war, many a Korean or Chinese without any sympathy for Communism whatsoever was shanghaied or pressganged in the Communist North Korean army or the Chinese Peoples Volunteers and then was captured by the United Nations Command and held prisoner.

In the armistice negotiations we fought for many months for the noble and humane proposition that a man who was captured could not be forced against his will to go back to the place of his induction into the armed forces and thus be sold into Communist slavery.

The Communists on the contrary insisted upon the return of the prisoners to their place of induction into the army. Paragraph 11 of the Terms of Reference for the Neutral Nations Repatriation Commission is unique in the annals of military history. Its. pertinent provisions provide:

(a) at the expiration of ninety (90) days after the transfer of custody of the prisoners of war to the Neutral Nations Repatriation Commission, access of representatives to captured personnel as provided for in Paragraph 8 above, shall terminate,

(b) the question of disposition of the prisoners of war who have not exercised their right to be repatriated shall be submitted to the Political Conference recommended to be convened in Paragraph 60, Draft Armistice Agreement, which shall endeavor to settle this question within thirty (30) days, during which period the Neutral Nations Repatriation Commission shall continue to retain custody of those prisoners of war,

(c) the Neutral Nations Repatriation Commission shall declare the relief from the prisoner of war status to civilian status of any prisoners of war who have not exercised their right to be repatriated and for whom no other disposition has been agreed to by the Political Conference within one hundred and twenty (120) days after the Neutral Nations Repatriation Commission has assumed their custody,

(d) thereafter, according to the application of each individual, those who choose to go to neutral nations shall be assisted by the Neutral Nations Repatriation Commission and the Red Cross Society of India. This operation shall be completed within thirty (30) days,

(e) upon its completion, the Neutral Nations Repatriation Commission shall immediately cease its functions and declare its dissolution. After the dissolution of the Neutral Nations Repatriation Commission, whenever and wherever any of those above-mentioned civilians who have been relieved from the prisoner of war status desire to return to their fatherlands, the authorities of the localities where they are shall be responsible for assisting them in returning to their fatherlands.

Inhuman Communist Proposals

I will not attempt to review for you all of the drafting history of Paragraph 11. I had occasion to review it in Korea at some length on December 4 when the Communists advanced the inhumane propositions that the explanation did not terminate at the end of ninety (90) days and that all prisoners in custody of the NNRC had to be held until the political conference had discussed their disposition for thirty days **no matter when it was held.**

Suffice it to say that during the Armistice drafting negotiations it was the Communists who had insisted that the question of the non-repatriated prisoners could not be referred back to the United Nations General Assembly, because the United Nations itself was a belligerent.

In the long negotiations with General Thimayya as Chairman of the NNRC and the other members of that Commission, our present military commanders in the Far East, General Hull, General Taylor, Lieutenant General Harrison, Major Generals Bryan and Lacey and Brigadier General Hamblen, and in my own informal discussion, all uniformly insisted that the explanations terminate at the end of 90 days and that all prisoners revert to a civilian status 120 days after the Neutral Nations Repatriation Commission took custody on September 22 and and that the prisoners must be released on time.

A majority of the NNRC has not so voted but the United Nations Command has now proclaimed them as "free men." That is as it should be.

I am delighted that Dag Hammarskjold, the Secretary General of the United Nations, has agreed with our view that the freeing of the prisoners was in accord with the Korean Armistice Agreement. In these negotiations we have received the most complete understanding from Generals Stenstrom and Daenniker, Swedish and Swiss members of the NNRC, and from General Thimayya, as Chairman. The work of the NNRC has been humane and carried out in a most efficient and able manner.

Despite the adoption of attitudes, which are at times difficult to understand, by the Indian government — in particular their report on the prisoner situation and their position that the release of the anti-Communist prisoners on January 23 violated the armistice, which it certainly does not — on the whole, the conduct of General Thimayya and the Custodian Forces of India have been exemplary.

I was glad to see that General Hull had praised the release of the prisoners and had said the Indian troops had performed their task in an "admirable and noteworthy manner."

It must be a great source of relief to President Rhee and the United Nations Command that the prisoners are released and the CFI are beginning to be withdrawn to India with no trouble among the prisoners and no bloodshed.

* * *

Don't Be Critical of India

In passing, I recommend to all of you who may be critical of India, that you do not pass hasty judgment on India and Prime Minister Nehru. The Indian people are but a few years away from having achieved their independence. Their poverty is dire and they have terribly difficult internal problems. It is of the utmost importance that nothing happens to affect the strong, basic friendship existing between the Indian and American people and that India does not go Communist.

I think you could be interested in Chester Bowles' "Ambassador's Report" and particularly his discussion of Nehru's harsh attitude toward Communism inside of India, his horror toward the ruthlessness and inhumanity of Communism and his conviction—whether you agree with it or not—that his country's welfare requires that it avoid involvement in the cold war.

We are gratified the Communists did not renew hostilities over the release of prisoners. We did not think they would. We also believed that they did not actually want the return of their prisoners but only wanted to use them for propaganda purposes.

* * *

The American people are exceptionally well represented in both the military leaders and the diplomatic representatives we have in Japan and Korea today. They work together in a united and effective team. From General Hull and Lieutenant General Harrison and Ambassador Allison in Tokyo and Generals Taylor, Bryan, Anderson, Lacey, Daly and Hamblen and dozens of officers and men and Ambassador Briggs and his staff I received the utmost in cooperation.

The morale of the troops is high and they fully understand the difficult nature of their assignment.

Both the State and Defense Departments were most helpful and cooperative from top to bottom, and I was much impressed by the highly qualified, hard-working group of people with whom I worked.

The whole unfortunate aggression in Korea was a tragic thing. . .

But was our intervention all a tragic mistake? Have all our soldiers been wounded and given up their lives in vain?

It is difficult, but in retrospect, I do not think so.

Was the Armistice itself a mistake? No. I think it was the only sound decision we could have taken.

Will the hostilities be resumed? That lies with Communists but the present evidence is that they do not wish to resume hostilities in Korea.

Should we have bombed north of the Yalu? Again who knows for a certainty what the results would have been had we carried the war

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What We Face in Korea

into China, Manchuria and the U.S.S.R.

Can we ever bring about a lasting peace in Korea?

That's a tough one. But from a long-range standpoint we are hopeful that we can ultimately work out with them a peaceful settlement of the Korean question and the withdrawal of foreign forces.

To many of you the long, vituperative strongly-worded trilingual invective of the Communists must have seemed maddening—an endless game of words that makes no sense.

* * *

Each day I was asked by the very able and intelligent and hard-working corrpesondents: "What progress can we report to the American people today?" and almost each day President Rhee asked me "How do you ever expect to achieve the unification of Korea and the withdrawal of the Chinese Communist forces from my country in the North?" They were hard questions to answer.

Propaganda for Communists

The Communists know that we do not like to spend endless time on negotiations, to haggle over a multitude of unimportant details, that we are naturally trustful, optimistic, hopeful, reasonable and constructive. The Communists took full advantage of this in the recent negotiations on the site of the Berlin conference. They exploit over their radio as a sign of lack of strength each small concession we make in order to get on with more important matters. Time to them means nothing.

They interpret normal pleasant concession as a sign we are afraid of them. So a concession by us is followed by bullying by them. When they are prepared to concede a point, they precede it by a torrent of invective that we are slanderers, unilateral, rude, arrogant and they solemnly warn us to stop being unreasonable and to be constructive.

All of us—the press, radio and television commentators included—will have to learn, I am afraid, that a conference at which you do not give in to the Communists is not a failure; each day there will not be a big story with headlines; the exasperating periods of stalemate sometimes lead to important trading points for our side; the cumulative effect of small points won by us may ultimately be large, and that in negotiating with the Communists there are no light-hearted, gay moments.

They try and try to have things stated as principle so they can turn and twist them any way they want to. Based on past experience, we insisted on being detailed and precise.

That is why we insisted the voting sides—not the neutral participants—had to determine the voting procedures, agenda, the items on the agenda, the scheduling and order of debate, and that items other than those on the agenda could not be discussed at the conference.

A long term settlement in Korea, will take a great deal of patience, a great deal of time and much forebearance and understanding.

Meantime, as President Rhee says, the Korean people suffer and are not united.

Because the situation is so difficult and the Communists are so exasperating and the matter is just so complex and time-consuming, should the aftermath be a renewal of hostilities and an abandonment of the Armistice?

We do not think so. We are confident that the only danger with respect to the resumption of hostilities comes from the Communists themselves.

The Senate Foreign Relations Committee in unanimously recommending the ratification of the Mutual Defense Pact with Korea the other day, as a "stabilizing factor," put in its report the following:

"The Treaty constitutes an essential link in the system of collective security thus far developed. Because it gives clear and formal notice to would-be agressors that we will react with prompt measures to defend the peace in the event of an attack upon an area vital to our safety, it eliminates a factor which may have played a major role in the outbreak of the major wars of this century—that of miscalculation by the enemy as to what our conduct would be."

Kenneth Young, who was my Deputy at Panmunjom, is continuing at Panmunjom the attempt to renew the preliminary talks broken off when the other side accused us of perfidy. Now that the prisoners have been released, it is hoped that the preliminary talks will be resumed. But it may be that the Four Power Conference at Berlin, especially in view of Foreign Minister Molotov's opening sally about Communist China, will over-shadow these talks in Korea for a while. We are hopeful of the results of these preliminary talks. Though the going will not be easy we look forward to the early convening of the political conference.

No "Clean Cut" Result

There being no clean cut result, in adjustment of the Korean situation, it is difficult to give a wholly satisfactory answer to the charges of "defeat," "disgrace," "dishonor" and "failure" and "substitute victory" in connection with the Korean war. "There is no substitute for victory," said General MacArthur. But, as President Eisenhower said in his message on the state of the Union: "Our sons no longer die on the distant mountains of Korea."

The problem is admittedly difficult—But because we did not accomplish everything, we should not be too discouraged.

For we have stopped the timetable of Red aggression and the evil forces of Communism are stayed. The Republic of Korea is being rehabilitated.

The military situation looks somewhat brighter in Indo-China and the French have constructive plans with the Associated States for the eventual solution of that difficult colonial problem.

To restore Japan with her increased poulation to a balanced economy is difficult, but she is making distinct progress.

We have released the prisoners without bloodshed and we have dealt a ringing blow to Communism in the battle for men's minds.

He who is falsely optimistic in dealing with the Communists is due for trouble.

But the rise and further spread of Communism is not inevitable. We must be as zealous in spreading the gospel of an enlightened capitalism, and what it will do for the ordinary man. We must be prepared to expand our horizons. As a Trustee of Cornell University I know we have just begun to scratch the surface in greatly enlarging the world's food supply and in advancing the science of nutrition.

Do not for one moment believe the apostles of gloom.

For with brains, courage, devotion and resourcefulness we can lick Communism in the Far East and elsewhere and help restore downtrodden peoples to a sense of human dignity.

It will not be easy. It will be expensive. It will be tough. It won't be smooth sailing. But I am sure we have what it takes.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Absaraka Uranium, Inc., Salt Lake City, Utah
Feb. 16 (letter of notification) 6,000,000 shares of common stock. **Price**—At par (2½ cents per share). **Proceeds**—For expenses incident to mining operations. **Office**—44 Apricot Avenue, Salt Lake City, Utah. **Underwriter**—Arlin Davidson, President, P. O. Box 2481, Salt Lake City, Utah.

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.

★ Alabama Power Co. (3/16)
Feb. 17 filed $17,000,000 of first mortgage bonds due March 1, 1984. **Proceeds**—For property additions and improvements and to repay bank loans. **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**—To be received up to 11 a.m. (EST) on March 16 at the office of Southern Services, Inc., 20 Pine Street, New York 5, N. Y.

• Alaska Telephone Corp., Seattle, Wash. (2/26)
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.

★ Arizona Amortibanc, Phoenix, Ariz.
Feb. 15 (letter of notification) 300,000 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds**—For general corporate purposes. **Office**—701 W. Washington Street, Phoenix, Ariz. **Underwriter**—None.

• Armstrong Rubber Co.
March 31, 1953, filed $4,000,000 of 5½% convertible subordinated debentures due 1974 (as amended). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Reynolds & Co., New York. **Offering**—Now tentatively expected to be made early in March, 1954.

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.

★ Beaumont Factors Corp.
Feb. 16 (letter of notification) 243,400 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Business**—A finance company. **Office**—325 Lafayette St., New York 12, N. Y. **Underwriter**—None.

★ Bolsa Chica Oil Corp.
Feb. 16 (letter of notification) 77,624 shares of capital stock (par $1) to be offered for subscription by stockholders. **Price**—$3.75 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—727 West Seventh Street, Los Angeles, Calif. **Underwriter**—None.

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. (3/9)
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 received up to 8 a.m. (PST) on March 9 at American Trust Co., 464 California St., San Francisco, Calif.

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.

★ Clearwater Mines, Inc., Spokane, Wash.
Feb. 16 (letter of notification) 1,000,000 shares of assessable common stock, of which 50,000 shares are to be issued in payment for services, etc., and 950,000 shares are to be offered to public. **Price**—At par (10 cents per share). **Proceeds** — For exploration, development and other expenses incident to mining. **Office** — 401 Empire Building, Spokane 1, Wash. **Underwriter**—None.

★ Dairy Queen Products, Inc., Decatur, Ga.
Feb. 12 (letter of notification) 500 shares of common stock (par $10) and 500 shares of 5% cumulative preferred stock (par $100) to be offered in units of one share of each class of stock. **Price**—$110 per unit. **Proceeds**—For working capital and new construction. **Office**—Temporary: 1112 Peachtree Street, N. E., Atlanta, Ga. **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.

★ Detroit Edison Co.
Feb. 24 filed $40,000,000 of general and refunding mortgage bonds, series N, due March 15, 1984. **Proceeds**—To redeem 3⅞% series M bonds due May 1, 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Coffin & Burr, Inc. and Spencer, Trask & Co.

★ Douglas Oil Co. of California (3/18)
Feb. 23 filed 50,000 shares of cumulative convertible preferred stock. **Price** —At par ($25 per share). **Proceeds**—To repay bank loans and for expansion and working capital. **Underwriter**—Shearson, Hammill & Co., Los Angeles and New York.

★ Douglas Oil Co. of California (3/18)
Feb. 23 filed 15,000 shares of common stock (par $1). **Price**—To be related to the then current market price on the American Stock Exchange. **Proceeds**—To Wood-

row G. Krieger, President. **Underwriter** — Shearson, Hammill & Co., Los Angeles and New York.

★ Eaton & Howard Balanced Fund, Boston, Mass.
Feb. 23 filed 500,000 shares of capital stock. **Price** — At market. **Proceeds**—For investment.

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.
Feb. 4 filed 76,399 shares of common stock (no par) to be offered for subscription by common stockholders of record Feb. 23 on the basis of one new share for each 10 shares held. Rights will expire on March 11. **Price**—To be supplied by amendment. **Proceeds** — From sale of common stock, together with proceeds from subsequent sale at competitive bidding of 15,000 shares of preferred stock (no par) and $5,000,000 of first mortgage bonds due 1984, to be used to repay bank loans and for new construction. **Dealer Manager**—Stone & Webster Securities Corp., New York.

★ El Paso Electric Co. (3/16)
Feb. 19 filed $5,000,000 of first mortgage bonds due March 1, 1984. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Salomon Bros. & Hutzler; Kidder, Peabody & Co., White, Weld & Co. and Shields & Co. (jointly); Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—To be received up to 11 a.m. (EST) on March 16 at 90 Broad Street, New York City.

★ El Paso Electric Co. (3/16)
Feb. 19 filed 15,000 shares of preferred stock (no par). **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co., White, Weld & Co. and Shields & Co. (jointly); Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—To be received up to 11 a.m. (EST) on March 16 at 90 Broad Street, New York City.

★ Federal Electric Products Co. (3/10)
Feb. 17 filed 175,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term bank loans incurred to provide working capital. **Office**—Newark, N. J. **Underwriters**—H. M. Byllesby & Co. (Inc.), Chicago, Ill., and Hayden, Stone & Co., 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 605,000 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.

★ General Telephone Corp., N. Y. (3/9)
Feb. 17 filed 300,000 shares of common stock (par $20). **Price**—To be supplied by amendment. **Proceeds**—For investments in additional stock equities of subsidiaries and temporary advances to subsidiaries for reduction of their bank loans and for use in connection with the 1954 construction program. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York; and Mitchum, Tully & Co., San Francisco, Calif.

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.

★ Glasspar Co., Santa Ana, Calif.
Feb. 17 (letter of notification) 250,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital and expenses incident to business of manufacture and sale of laminated fiberglass products. **Office**—19101 Newport Boulevard, Santa Ana, Calif. **Underwriter**—Marache, Dofflemyre & Co., Los Angeles, Calif.

★ Goebel Brewing Co. (3/16)
Feb. 24 filed 200,000 shares of 60-cent convertible preferred stock (par $10) to be offered to common stockholders of record March 16 on the basis of one share of preferred stock for each seven shares of common stock held; rights to expire on March 30. **Price**—To be supplied by amendment. **Proceeds** — For general corporate purposes. **Underwriters** — Van Alstyne, Noel & Co., New York, and Nauman, McFawn & Co., Detroit, Mich.

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.

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**—To be received up to noon (EST) on March 1 at Room 2033, Two Rector St., New York 6, N. Y.

★ Israel (State of)
Feb. 24 filed $350,000,000 of development bonds to be offered in two types, viz: 15-year 4% dollar coupon bonds and 10-year dollar savings (capital appreciation) bonds. **Price**—100% of principal amount. **Proceeds**—For investment in The State of Israel for agriculture, industry and power, transportation and communication, and low cost housing; and for general reserve. **Underwriter**—American Financial & Development Corp. for Israel, New York.

★ Jupiter Steamship Co., Wilmington, Del.
Feb. 16 (letter of notification) 20,000 shares of common stock (no par) to be initially offered to stockholders. **Price**—$10 per share. **Proceeds**—To pay balance due on two ships and for working capital. **Office**—100 West 10th Street, Wilmington, Del. **Underwriter**—None.

★ Kab Products Co., San Francisco, Calif.
Feb. 17 (letter of notification) 10,000 shares of preferred stock. **Price**—At par ($10 per share). **Proceeds**

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NEW ISSUE CALENDAR

February 25 (Thursday)

Pittsburgh & West Virginia Ry.______________Bonds
(Bids noon EST) $7,500,000

February 26 (Friday)

Alaska Telephone Corp.________________Debentures
(Tellier & Co.) $270,000

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 10:30 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

Ontario (Province of)________________Debentures
(Harriman Ripley & Co. Inc. and Wood, Gundy & Co., Inc.) $50,000,000

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

March 5 (Friday)

Magnolia Park, Inc.________Debentures & Common
Gearhart & Otis, Inc.; Hunter Securities Corp., and T. J. Feibleman & Co.) $2,525,000

Rand Development Corp.______________Common
(Fulton, Reid & Co.) $2,000,000

March 9 (Tuesday)

California Interstate Telephone Co.______Common
(William R. Staats & Co.) 300,000 shares

California Oregon Power Co.______________Bonds
(Bids 8 a.m. PST) $10,000,000

General Telephone Corp.______________Common
(Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp.; and Mitchum, Tully & Co.) 300,000 shares

March 10 (Wednesday)

Federal Electric Products Co.______________Common
(H. M. Byllesby & Co., Inc. and Hayden, Stone & Co.) 175,000 shares

Fireman's Fund Insurance Co.______________Common
(The First Boston Corp.; Blyth & Co., Inc.; and Dean Witter & Co.) 605,000 shares

Sheraton Corp. of America______________Debentures
(Offering to stockholders—underwritten by Paine, Webber, Jackson & Curtis and Hamlin & Lunt) $3,300,000

March 12 (Friday)

Wisconsin Public Service Corp.____________Common
(The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Robert W. Baird & Co., Inc.; and William Blair & Co.) 316,867 shares

March 16 (Tuesday)

Alabama Power Co.____________________Bonds
(Bids 11 a.m. EST) $17,000,000

El Paso Electric Co.____________Bonds & Preferred
(Bids 11 a.m. EST) $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

Stromberg-Carlson Co.________________Preferred
(The First Boston Corp). $3,601,250

March 17 (Wednesday)

Light Metals Refining Corp.____________Common
(Philip Gordon & Co., Inc.) $5,000,000

Pennsylvania Electric Co.________________Bonds
(Bids 11 a.m. EST) about $12,000,000

March 18 (Thursday)

Douglas Oil Co. of California____________Preferred
(Shearson, Hammill & Co.) $1,250,000

Douglas Oil Co. of California____________Common
(Shearson, Hammill & Co.) 15,000 shares

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

Laclede Gas Co.____________________Debentures
(Bids 11 a.m. EST) $10,000,000

Nuclear Research Co.________________Common
(Tellier & Co.) $300,000

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 26 (Friday)

Mountain States Telephone & Telegraph Co.____________________________Common
(Offering to stockholders—no underwriting) 487,248 shares

March 29 (Monday)

Pacific Power & Light Co.______________Common
(Bids 11 a.m. EST) $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

Texas Utilities Co.____________________Common
(Bids to be received) 250,000 shares

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)

Arkansas Power & Light Co.____________Preferred
(Bids 11 a.m. EST) $7,000,000

West Penn Power Co.__________________Bonds
(Bids to be invited) $12,000,000

May 14 (Friday)

First Nat'l Bank of Toms River, N. J.______Common
(Offering to stockholders) $150,000

May 19 (Wednesday)

Utah Power & Light Co.________________Bonds
(Bids noon EST) $15,000,000

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—To purchase stock of Tab Products, discharge notes of Tab, and for working capital. **Office**—1069 Mills Building, San Francisco 4, Calif. **Underwriter**—None.

★ Kearsarge Telephone Co., New London, N. H.
Feb. 16 (letter of notification) 1,000 shares of 5% cumulative preferred stock. **Price**—At par ($50 per share). **Proceeds**—To pay for a portion of the cost of converting the company to the dial telephone system. **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 (3/17)
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, series D (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. (3/5)
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.

★ Matheson Co., Inc.
Feb. 19 (letter of notification) $50,000 of 10-year 6% convertible debentures dated Jan. 1, 1954 and due Jan. 1, 1964. **Price**—100% and accrued interest. **Proceeds**—To construct plant in Norwood, O., and for working capital. **Underwriters**—Mohawk Valley Investing Co., Inc., Utica, N. Y., and Security & Bond Co., Lexington, Ky.

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 Brothers (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.

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 April 24. **Financial Advisor**—The First Boston Corp., New York.

• Nuclear Research Co. (Pa.) (3/24)
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.

• Ontario (Province of), Canada (3/3)
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.; Wood, Gundy & Co., Inc.; The First Boston Corp.; Smith, Barney & Co.; The Dominion Securities Corp.; A. E. Ames & Co., Inc.; and McLeod, Young, Weir, Inc.; all of New York.

★ Parkmaster Systems, Inc., Spokane, Wash.
Feb. 15 (letter of notification) 50,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital and expenses incident to business of mechanical parking of autos. **Office**—602 Spokane & Eastern Building, Spokane, Wash. **Underwriter**—Walter J. Nicolls & Co., Spokane, Wash.

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.

★ Pennsylvania Electric Co., Johnstown, Pa. (3/17)
Feb. 18 filed $12,000,000 of 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.; 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. **Bids**—Expected to be received up to 11 a.m. (EST) on March 17.

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.
Feb. 4 (letter of notification) 21,952 shares of common stock (par $5) being offered for subscription by common stockholders on the basis of one new share for each five shares held on Feb. 2; rights expire on March 12. **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.

• Rand Development Corp., Cleveland, O. (3/5)
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.

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.

★ Sheraton Corp. of America, Boston, Mass (3/10)
Feb. 18 filed $3,273,800 of 6% debentures due April 1, 1979 (with warrants to purchase shares of common stock, par 50 cents) to be offered for subscription by stockholders of record about March 10 on the basis of $100 of debentures (with stock purchase warrants) for each 100 shares of common stock held. **Price**—To be supplied by amendment. **Proceeds**—Principally to reduce short-term bank loans. **Underwriters**—Paine, Webber, Jackson & Curtis, Boston, Mass.; and Hamlin & Lunt, Buffalo, N. Y.

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 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**—To be received up to 10:30 a.m. (EST) on March 1 at 90 Broad St., New York, N. Y.

★ Strevell-Paterson Finance Corp.
Feb. 19 filed 640,000 shares of common stock (par 50 cents) to be offered in exchange for the $300,000 par value of authorized, issued and outstanding capital stock of Strevell-Paterson Finance Co. on the basis (a) of 13 shares of Corporation stock for each of the 5,000 shares of 5% cumulative preferred stock (par $10) of the Company and (b) 23 shares of Corporation stock for each of the 25,000 shares of $10 par common stock of the company. **Underwriter**—None. **Office**—Salt Lake City, Utah.

★ Stromberg-Carlson Co. (3/16)
Feb. 24 filed 72,025 shares of cumulative convertible preferred stock (par $50) to be offered to common stockholders of record March 15 on the basis of one new share for each seven shares held; rights to expire on March 31. **Price**—To be supplied by amendment. **Proceeds**—To repay $1,100,000 bank loans and for general corporate purposes. **Underwriter**—The First Boston Corp., New York.

• Suburban Electric (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**—To be received up to 11 a.m. (EST) on 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.

★ Union Uranium Co., Denver, Colo.
Feb. 16 (letter of notification) 29,910,000 shares of common stock, purchasers of the first 9,970,000 shares to be given the option to purchase two additional shares for each share purchased. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—230 E. 19th Avenue, Denver, Colo. **Underwriter**—J. W. Hicks & Co., Denver, Colo.

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.

★ Waterworks Equipment Co., Salt Lake City, Utah
Feb. 17 (letter of notification) 500 shares of common stock to be offered to stockholders and employees. **Price**—At par ($100 per share). **Office**—149 West 2nd South Street, Salt Lake City, Utah. **Proceeds**—For working capital. **Underwriter**—None.

★ Wellington Fund, Inc., Philadelphia, Pa.
Feb. 19 filed 2,000,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

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.

★ **Wisconsin Public Service Corp. (3/12)**
Feb. 19 filed 316,867 shares of common stock (par $10) to be offered for subscription by common stockholders of record March 12 on the basis of one new share for each seven shares held; rights to expire on March 30. Up to not exceeding 10,000 shares of unsubscribed shares to be offered first to employees. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriters**—The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane, both of New York; Robert W. Baird & Co., Inc., Milwaukee, Wis.; and William Blair & Co., Chicago, Ill.

Prospective Offerings

● **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. Hearings before the FPC will commence on March 8.

● **Arkansas Power & Light Co. (4/20)**
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 to be received up to 11 a.m. (EST) on April 20.

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).

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. 23 stockholders approved a proposal to increase the 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. **Financial Advisors**—The First Boston Corp.

● **Community Public Service Co.**
Feb. 16 company asked the FPC for permission to issue and sell in the latter part of March $3,000,000 of first mortgage bonds due March 1, 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.

● **Federal Loan Co. of Pittsfield, Inc.**
Feb. 23 stockholders approved a proposal to increase 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 to change the 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. **Undewriters**—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. 23 stockholders were to vote on approving 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. **Underwriter**—Unsubscribed shares to be purchased by Transamerica 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 Corp.**
Feb. 15 it was announced stockholders will vote on increasing authorized preferred stock from 250,000 to 500,000 shares and the common stock from 2,500,000 to 5,000,000 shares. **Underwriters**—Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

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).

★ **Foote Mineral Co., Philadelphia, Pa.**
Feb. 20 it was announced stockholders will vote April 22 on increasing the authorized common stock (par $2.50) from 500,000 shares to 1,000,000 shares. There are presently 276,088 shares outstanding and an additional 43,217 shares are reserved for conversion of debentures and the remaining 180,695 shares are available for the employees' stock bonus plan. The proposed increase in capitalization is necessary to provide additional shares to finance the continued growth of the company, or if it seems advisable for stock dividends or a stock split. **Underwriter**—Estabrook & Co., New York and Boston.

General Public Utilities Corp.
Dec. 16 it was announced company plans to offer about 600,000 additional shares of common stock (par $5) to stockholders in March or April, 1954 — probably on the basis of one new share for each 15 shares held. **Price**—To be determined just prior to the offering date. **Proceeds**—To be invested in the domestic subsidiaries. **Underwriter**—None, but Merrill Lynch, Pierce, Fenner & Beane may act as clearing agent.

Georgia Power Co. (4/6)
Dec. 15 it was reported company plans issuance and sale of $11,000,000 first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Salomon Bros. & Hutzler and Shields & Co. (jointly); Harriman Ripley & Co., Inc.; Union Securities Corp. and Equitable Securities Corp. (jointly); The First Boston Corp.; Lehman Brothers; Morgan Stanley & Co. **Registration**—Planned for March 10. **Bids**—Expected to be received up to 11 a.m. (EST) on April 6.

★ **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.

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. (3/24)
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. **Bids**—Expected to be received on March 24. **Registration**—Planned for Feb. 26.

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).

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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.

★ Mountain States Telephone & Telegraph Co. (3/26)
Feb. 20 it was announced company will offer to its stockholders of record March 26, 1954 the right to subscribe on or before April 30 for 487,248 additional shares of capital stock on the basis of one new share for each four shares held. **Price**—At par ($100 per share). **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent, and for new construction. **Underwriter**—None.

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 Bell Telephone Co.
Feb. 19 the company petitioned the New Jersey P. U. Commission for permission to issue and sell in May $25,000,000 of first mortgage bonds and $75,000,000 of capital stock (the latter to American Telephone & Telegraph Co.). **Proceeds**—To finance construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; Shields & Co.; White, Weld & Co.; The First Boston Corp.

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 to be received up to 11 a.m. (EST) March 29.

★ Pennsylvania Gas Co.
Feb. 19 it was announced company plans during 1954 to make a rights offering to stockholders of not exceeding 48,000 shares of common stock (no par). National Fuel Gas Co. owns 61.97% of the presently outstanding stock.

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 up to noon (EST) on Feb. 25.

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.

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 & 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.

★ Scott Paper Co.
Feb. 23 it was announced stockholders will vote April 27 on increasing the authorized common stock from 5,000,000 to 10,000,000 shares and the authorized indebtedness of the company from $25,000,000 to $50,000,000. The company has no specific financing program. **Underwriters**—Previous offering of $24,952,800 3% convertible debentures, in September, 1953, was underwritten by Drexel & Co., Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane.

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.

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.

★ Texas Utilities Co. (4/13)
Feb. 19 the directors authorized sale of 250,000 shares of common stock. **Proceeds**—For investment in subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly). **Bids**—Expected to be received on April 13, 1954.

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.

• 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. **Meeting**—Stockholders to vote April 8 on increasing authorized common stock from 1,500,000 to 2,500,000 shares.

A. W. Stypes Co. Formed

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Arthur W. Stypes and Edd E. Rountree have formed the partnership of A. W. Stypes & Co. to engage in a securities business. Offices are at 625 Market Street.

DIVIDEND NOTICES

The American Tobacco Company
INCORPORATED

111 Fifth Avenue New York 3, N. Y.

198TH PREFERRED DIVIDEND

A quarterly dividend of 1½% ($1.50 a share) has been declared upon the Preferred Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on April 1, 1954, to stockholders of record at the close of business March 10, 1954. Checks will be mailed.

HARRY L. HILYARD, *Treasurer*

February 23, 1954

A M M

AMERICAN MACHINE AND METALS, INC.

41st Dividend

A regular quarterly dividend of TWENTY-FIVE CENTS a share will be paid on March 31, 1954—for the first quarter of this year—to share owners of record at the close of business on March 15, 1954.

H. T. McMeekin, *Treasurer*

Borden's

ANNUAL MEETING

The annual meeting of stockholders will be held on Wednesday, April 21, 1954, at 11:00 o'clock A.M., at 43 Park Avenue, Flemington, Hunterdon County, New Jersey.

Only stockholders of record at the close of business on Friday, March 5, 1954, will be entitled to vote at said meeting, notwithstanding any subsequent transfers of stock.

The stock transfer books will not be closed.

The Borden Company

DOUGLAS T. ORTON, *Secretary*

Bayuk Cigars Inc.

A dividend of fifteen cents (15¢) per share on the Common Stock of this Corporation was declared payable March 16, 1954, to shareholders of record March 1, 1954. Checks will be mailed.

A. WEDEMEYER
TREASURER

Philadelphia, Pa.
February 19, 1954

PHILLIES

America's No1 cigar

Bacon, Whipple Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—Arthur R. Kneibler, Jr. has been added to the staff of Bacon, Whipple & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges.

DIVIDEND NOTICES

INTERNATIONAL SALT COMPANY

DIVIDEND NO. 159

A dividend of FIFTY CENTS a share has been declared on the capital stock of this Company, payable April 1, 1954, to stockholders of record at the close of business on March 15, 1954. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN
Exec. Vice Pres. & Sec'y.

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 156 of fifty cents (50¢) per share on the common stock payable April 15, 1954, to stockholders of record at the close of business on March 15, 1954.

GERARD J. EGER, Secretary

ALLEN B. DU MONT LABORATORIES, INC.

The Board of Directors of Allen B. Du Mont Laboratories, Inc., this day has declared a dividend of $.25 per share on its outstanding shares of 5% Cumulative Convertible Preferred Stock payable April 1, 1954 to Preferred Stockholders of record at the close of business March 15, 1954.

February 18, 1954 — Paul Raibourn, Treasurer

DU MONT

In All Phases of Television

CHEMICALS
TEXTILES
PLASTICS

CELANESE

CORPORATION OF AMERICA

180 Madison Avenue, New York 16, N.Y.

THE Board of Directors has this day declared the following dividends:

4½% PREFERRED STOCK, SERIES A

The regular quarterly dividend for the current quarter of $1.12½ per share, payable April 1, 1954, to holders of record at the close of business March 5 1954

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable April 1, 1954, to holders of record at the close of business March 5, 1954.

COMMON STOCK

25 cents per share payable March 24, 1954, to holders of record at the close of business March 5, 1954.

R. O. GILBERT
Secretary

February 23, 1954.

Rich with Fahnestock

(Special to The Financial Chronicle)

CHICAGO, Ill. — Kenneth F. Rich has become associated with Fahnestock & Co., 135 South La Salle Street. Mr. Rich for many years was with Talcott, Potter & Co.

J. Gilbert Currie Opens

RED BANK, N. J. — J. Gilbert Currie is engaging in a securities business from offices at 157 Broad Street.

DIVIDEND NOTICES

KENNECOTT COPPER CORPORATION

161 East 42d Street, New York, N.Y.

February 19, 1954

A cash distribution of One Dollar and Twenty-five cents ($1.25) a share has been declared today by Kennecott Copper Corporation, payable on March 29, 1954, to stockholders of record at the close of business on March 2, 1954.

ROBERT C. SULLIVAN, *Secretary*

IRVING TRUST COMPANY

One Wall Street, New York

February 18, 1954

The Board of Directors has this day declared a quarterly dividend of 30 cents per share on the capital stock of this Company, par $10, payable April 1, 1954, to stockholders of record at the close of business March 2, 1954.

STEPHEN G. KENT, *Secretary*

LIBERTY PRODUCTS CORPORATION

Farmingdale, New York

February 23, 1954

The Board of Directors of Liberty Products Corporation declared the regular quarterly dividend of Twenty-five Cents (25¢) per share on its common stock, payable March 31, 1954 to stockholders of record at the close of business on March 17, 1954.

William G. Holman
Treasurer

MERCK & CO., INC.

RAHWAY, N. J.

MERCK

Quarterly dividends of 20¢ a share on the common stock, 87½¢ a share on the $3.50 cumulative preferred stock, $1.00 a share on the $4.00 convertible second preferred stock, and $1.06¼ a share on the $4.25 second preferred stock have been declared, payable on April 1, 1954 to stockholders of record at the close of business March 12, 1954.

JOHN H. GAGE,
February 23, 1954 *Treasurer*

With Palmer, Pollacchi

(Special to The Financial Chronicle)

BOSTON, Mass.—Anna R. Seel has become affiliated with Palmer, Pollacchi & Co., 84 State Street. Miss Seel was formerly office manager for Edward E. Mathews Co.

With Jamieson & Co.

(Special to The Financial Chronicle)

FRESNO, Calif. — Richard J. Graves has joined the staff of Jamieson and Company of San Francisco. He was formerly with E. F. Hutton & Company.

DIVIDEND NOTICES

HOMESTAKE MINING COMPANY
DIVIDEND NO. 891

The Board of Directors has declared Dividend No. 891 of forty cents ($.40) per share of $12.50 par value Capital Stock, payable March 12, 1954, to stockholders of record March 2, 1954. Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, *Secretary.*

February 5, 1954.

GEORGE W. HELME COMPANY

9 Rockefeller Plaza, New York, N. Y.

On February 24, 1954, quarterly dividends of 43¾ cents per share on the Preferred Stock and 40 cents per share on the Common Stock were declared, payable April 1, 1954, to stockholders of record at the close of business March 8, 1954.

J. P. McCAULEY, Secretary.

SOUTHERN PACIFIC LINES

SOUTHERN PACIFIC COMPANY

DIVIDEND NO. 145

A QUARTERLY DIVIDEND of Seventy-five Cents ($.75) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on March 22, 1954, to stockholders of record at the close of business March 1, 1954.

E. J. GOODWIN, Treasurer.

New York, N. Y., February 18, 1954.

TEXAS UTILITIES COMPANY

DIVIDEND NOTICE

The Board of Directors today declared a dividend of 52 cents per share on the Common Stock of the Company, payable April 1, 1954 to stockholders of record at the close of business March 3, 1954.

JOHN HUME
Secretary

February 19, 1954.

Pullman Incorporated

88th Consecutive Year of Quarterly Cash Dividends paid by Pullman Incorporated and predecessor companies

A regular quarterly dividend of seventy five cents (75¢) per share will be paid on March 13, 1954 to stockholders of record February 26, 1954.

CHAMP CARRY
President

PULLMAN-STANDARD CAR MANUFACTURING CO. — Built by Pullman Standard

M W KELLOGG

TRAILMOBILE

DIVIDEND NOTICES

UNITED GAS CORPORATION

SHREVEPORT, LOUISIANA

Dividend Notice

The Board of Directors has this date declared a dividend of thirty-one and one-quarter cents (31¼¢) per share on the Common Stock of the Corporation, payable April 1, 1954, to stockholders of record at the close of business on March 10, 1954.

B. H. WINHAM
February 24, 1954 *Secretary*

TC
TENNESSEE CORPORATION

TENNESSEE CORPORATION

February 16, 1954

A dividend of fifty (50¢) cents per share has been declared payable March 29, 1954, to stockholders of record at the close of business March 3, 1954.

JOHN G. GREENBURGH
Treasurer.

61 Broadway
New York 6, N. Y.

TISHMAN REALTY & CONSTRUCTION CO. INC.

DIVIDEND NOTICE

The Board of Directors declared a regular quarterly dividend of thirty-five cents (35c) per share on the Common Stock and a regular quarterly dividend of twenty-five cents (25c) per share on the Preferred Stock of this corporation, both payable March 25, 1954, to stockholders of record at the close of business March 15, 1954.

NORMAN TISHMAN, *President*

Edison

Southern California Edison Company

DIVIDENDS

ORIGINAL PREFERRED STOCK
DIVIDEND NO. 179

CUMULATIVE PREFERRED STOCK
4.32% SERIES
DIVIDEND NO. 28

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on Original Preferred Stock;

27 cents per share on Cumulative Preferred Stock, 4.32% Series.

The above dividends are payable March 31, 1954, to stockholders of record March 5, 1954. *Checks will be mailed from the Company's office in Los Angeles, March 31, 1954.*

P. C. HALE, *Treasurer*

February 19, 1954

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Whether he intended to do so or not remains to be seen, but President Eisenhower materially aided the prospect for Congressional enactment of proposals to boost the personal exemption by not less than $100 under the personal income tax.

In his press conference statement the President said that he would act quickly to give individuals tax relief should there be no upturn in employment figures in March.

As the President phrased his words, such relief could, of course, take the form of either the excise tax relief House leaders are talking, or the reported cut of 5% in the rates of personal income tax, which it is also understood those same leaders were planning. The President did not specify.

On the other hand, the President's statement has to be interpreted by Congress in the light of circumstances. The personal income tax relief most widely regarded as likely in case the Administration gets frightened of a business setback, is the boost in personal exemptions. Another circumstance is that the very purpose of the reported leadership plan for a 5% drop in personal income tax rates and the limiting of excise taxes to 10% rates, was to head off a boost in the personal exemptions.

Furthermore, it is believed, under the President's remarks, unless employment were to show a dramatic upturn — no mere 50,000 to 100,000 — the men on the Hill as a matter of practical politics would say that the President had committed himself to a boost in the personal exemptions.

Makes Budget Obsolete

So unless there is a dramatic upswing in employment in March, the President may have paved the way for making obsolete by Feb. 17 the budget picture he presented Jan. 21.

Another question is expected to arise later: If the President takes the position that barring an upswing in employment, tax relief is necessary, how far can he and Administration forces hold the line against a pell mell rush to vote other forms of tax relief as well?

Finally, there may be a further development arising from the new Administration's position. IF substantial relief to individuals is given the clear track, this may take the pressure of the left-wing groups off the ambition of the Administration and the GOP Majority on the Ways and Means Committee to give investors and business some tax incentives.

So long as the Administration was taking the position that the lapsing of the second 1951 personal income tax boost and the tax revision bill "was enough" and a "balanced tax program," left-wingers were making passes at the revision bill with its beginning toward relief on taxation of dividends and with its beginning toward a better break on depreciation.

If the Administration is finally to resolve that there is danger of a set-back which demands tax relief, business tax relief, in other words, the revision bill, would seem to lose a little of its possible political vulnerability.

Incidentally, should the Administration ever OK a cut in the personal exemptions, Congress in all likelihood probably would make it effective as of the first of the month following final enactment of the legislation.

Would Ease Mortgage Terms

Quietly, but not too quietly, the word is being passed around that just about as soon as the ink is dry on the Administration's new housing bill, that the White House will act immediately to loosen the maximum required terms of FHA and VA mortgage loans.

One of the main phases of this legislation is that a new set of more liberal government-sponsored mortgage credit terms shall be legislated, but would not be put into effect until the President so directed. The idea would be that the President could liberalize the easier credit terms if he felt the business outlook necessitated a steaming up of the housing boom.

An objection of the home-building industry is that present government-sponsored credit, in that industry's opinion, is not liberal enough. The industry wants Congress to ease terms right away.

To meet this objection and to help smooth the way for passage of this bill, the word has been passed out that the President will move promptly to liberalize government-sponsored mortgage credit terms.

He will not liberalize them, it is said, any where near as far as he can under the act. The act provides a new set of maximum terms. The President's action, it is said, will strike a balance between the minimum and maximum levels.

Public Housing Assured

Another facet of the new housing legislation is that what is now legally known under the 1949 Housing Act as "public housing," is assured of more Congressional funds for fiscal 1955 than approved since three years ago.

Three years ago Congress authorized funds for 35,000 units of public housing. Two years ago it appropriated funds for 25,000 units, and last year, for 20,000 units for the current year. (The act authorized 135,000 units annually but allows the President to vary the amount up and down according to a formula.)

Mr. Eisenhower wanted a new authorization of 35,000 units per year for four years, or 140,000 units. Public housing foes objected to the inclusion of this recommendation in the new Administration housing bill.

In order to get support for this new bill, the President is said to have consented to the elimination of this section from the new bill as "redundant," the present act authorizing 135,000 units already.

On the other hand, because he agreed to leave this section out of the bill, the President is believed to have received assurances that the Appropriations Committee, which in the past has cut down White House recommendations on public housing, will not block a request for funds to start 35,000 units of public housing in fiscal 1955.

This private assurance will go a long way toward making possible a 35,000 unit program, or 15,000 units more than the current level. It does not guarantee a 35,000 unit program, however, because many public housing opponents were not involved in any such agreement.

Indo-China Is Important to Japan

One of the basic reasons why Indo-China's defense against the Reds is regarded as important is that it, along with Southeast Asia, is regarded as absolutely vital to Japan's survival as an ally of the West, it is explained.

If Indo-China falls, then probably all of Southeast Asia will fall. This area is currently far more important as a source of food and as a market for Japanese exports than Communist China. Studies are said to indicate that the opening up of Red China would not increase Japan's exports by more than 10%.

Key to Postal Rate Rise Is First Class Rates

A reluctant House Post Office Committee, under terrific pressure applied by the Administration through state political organizations, reported out a postal rate increase bill. The majority of the members were personally unwilling to vote for this increase and even though "under the whip" have reported it out, are said to be most unhappy about their action.

They are unhappy in part because they fear they may be left holding the bag, having voted for a thing which may not pass, and thereby getting political blame back home.

So far the Senate Committee is disposed to sit back and do nothing until and unless the House approves the bill. If the House does approve the bill, the Senate Committee probably can be induced to act.

House leaders, however, do not appear likely to clear the rate rise for action until and unless the White House pressure is applied in general upon the House and in particular upon them.

Almost two-thirds of the actual realizable revenue, however, will come from the proposed new 4-cent out-of-town letter rate and the penny rise in air mail rates. The proposed bulk mailing rate increase is so rigged, it is said, as to be unlikely to being in any where near the $50 million of additional revenues claimed for it.

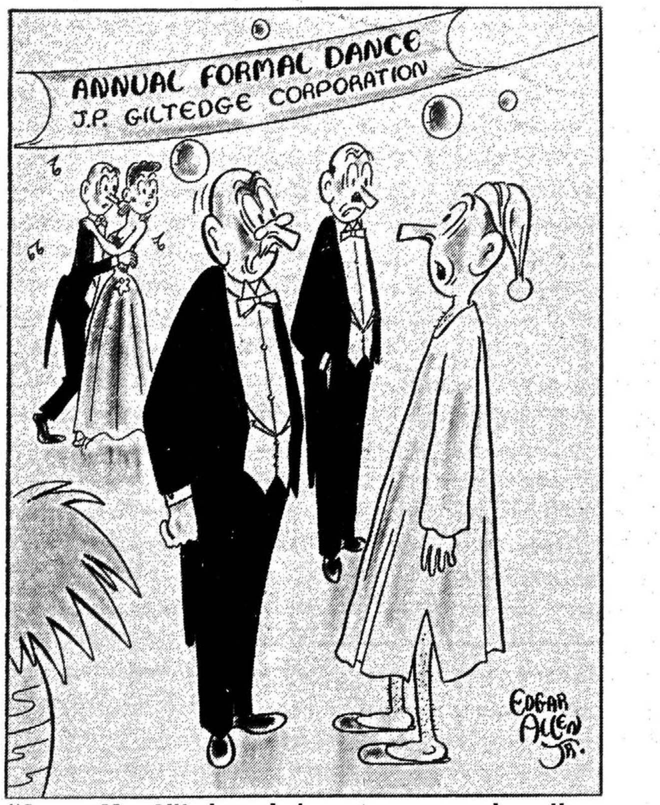
Manion Commission Dead

When President Eisenhower decided to commit himself generally to the protection of the health, welfare, and income of the masses, he pretty generally also committed himself to an expansion of Federal powers. His pre-occupation with the world game of follow the leader also stood against any shrinking of Federal powers, or against any return of powers to the states—the study of which was the primary purpose of creating the Manion Commission.

With the resignation of Dean Manion, the practical consequence is the death of this Commission, even if its alleged purpose is carried on. This thus becomes the first commission in an obsolescent stage to be killed off to all practical purposes before it made a report.

(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



"Sorry, Mr. Giltedge—but—er—on my salary these are the only evening clothes I can afford!"

Business Man's Bookshelf

Frontiers of Economic Knowledge —Arthur F. Burns — Princeton University Press, Princeton, N.J. (cloth), $5.

Public Housing—Paul L. Poirot—Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y. (paper), single copy free; quantity prices on request.

Speculative and Flight Movements of Capital in Postwar International Finance — Arthur I. Bloomfield — Princeton University Press, Princeton, N. J. (paper), $1.

Union Monopoly: Its Cause and Cure—V. Orval Watts—Foundation for Social Research, 1521 Wilshire Boulevard, Los Angeles 17, California (paper), $1; (cloth), $2.