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EDITORIAL

As We See It

The danger seems to have grown quite real that the controversies which have developed within the Republican party and the Administration will seriously interfere with legislation which it is the clear and urgent duty of Congress to enact at this session. Should adjournment presently come before these vital laws are taken to the statute books, not only the legislators immediately concerned, but the Republican party would carry a heavy burden of responsibility.

We have no desire or intention at this time or in this place to pass judgment upon the merits of the so-called Bricker proposals or of the George substitute. No one well acquainted with the high-handedness of Franklin D. Roosevelt and his New Deal managers—to say nothing of certain incidents in our history long before the 'Thirties—can well doubt that a problem exists which Senators Bricker and George have undertaken to solve. It is likewise easy to see the dangers presented by their solution. What the answer is we do not pretend to know. What we are sure of in our own mind is that the situation in this respect at this moment is not so urgent that Congress is warranted in making what appears almost certain to be a vain effort to correct it, and to make the effort at the obvious risk of pushing really urgent matters into practical discard.

As to McCarthyism and communism, there is so much to regret, so much utterly needless demagoguery, and yet so painfully obvious a need for some sort of a mechanism to be sure that all are alert and diligent in the fight against carefully and shrewdly planned subversion—so

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A Look Ahead

By WALTER E. HOADLEY, JR.*
Economist, Armstrong Cork Company

Dr. Hoadley, pointing out current year requires some sound means of bridging the moderate economic gap ranging from boom conditions of the early '50s to resumption of still greater potentialities later, lists among favorable business aspects: (1) a large home building program; (2) a cautious inventory situation; (3) a greater dispersion of profit performance among individual firms, and (4) an Administration that will be a supporting influence in the economy. Concludes, 1954 will be a year of challenge to banking and business leadership.

If I could check with you individually, I'm sure I would find that all of you are thoroughly familiar with the most widely held (i.e., the "standard") forecast of 1954 business. Doesn't it go something like this: General business will be down moderately this year, with the drop in the general order of 5% from the 1953 level. By common agreement, the year ahead shapes up reasonably well; but few new records are expected to be set; competition will get tougher; and a national business performance close to 1952 looks like par for the course in 1954.

W. E. Hoadley, Jr.

There's really little point in a further rehash or refinement of this "standard" forecast. Let me remind you, however, that history warns forecasters to be wary of strong unanimity in outlook views, for individual actions rooted in any generally accepted forecast frequently bring results different from those commonly foreseen.

In an attempt to take a fresh look at what lies ahead, I want to direct attention to (1) economic trends and developments over the next several years in order to place 1954 in better perspective, (2) the challenge to

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*An address by Dr. Hoadley before the Sixth National Credit Conference of the American Bankers Association, Chicago, Ill.

The Randall Report—Back to Marshall Plans

By MELCHIOR PALYI

Dr. Palyi discusses Report of Randall Commission and the reasons for the numerous individual dissents. Holds Report "offers prescriptions without diagnosis," and lays failure to remedy the dollar gap to inability of soft currency nations to raise per-man output, an issue sidestepped in the Report. Concludes distinction between military aid and economic aid is a fallacy.

After the Gray report, the Paley report, the Bell report, and the Sawyer report, here comes the Randall Commission's report, covering approximately the same ground. It was produced in remarkable haste. Starting with an unexplained delay, 75 days sufficed for the Commission to complete its studies and to prepare its majority report, delivering it six weeks before it was due. In record short time, traveling to and from Europe and holding extensive hearings, the 17 members had to argue it out among themselves; digest the material submitted in huge volume by 21 staff economists (to be published later) and by outside talent; make momentous decisions and write a carefully phrased piece of nearly 30,000 words covering a multitude of problems. The ten highly influential members delegated by Congress equally divided between the two Houses as well as between the two parties, could scarcely have been expected to revise their economics on short notice. The liberals leaned one way, the conservatives the other way, with one or two in-between's on major questions. As to the seven Presidential appointees—five of them large industrialists—it was no secret where most of them stood on the relevant issues of foreign economic policy.

Dr. Melchior Palyi

The Chairman, Inland Steel's brilliant Mr. Clarence

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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

GEORGE A. BUTLER
Partner, Butler, Candee & Moser,
New York City

United States Air Conditioning Corporation Warrants

By using warrants intelligently, investors can make more during a market rise, lose less in a decline, than investors in common stocks.

A warrant is simply an option or right to buy common stock at a specified price within a specified period of time.


George A. Butler

In essence, a warrant is a "call" upon the future success of a company. It is therefore an interesting, potentially profitable speculative medium for the investor seeking long-term capital gains.

If a stock is selling above its option price the warrant's exercisable value is equal to the difference. But it still possesses some potential "value" even if the stock sells below the option price. For instance, when Atlas Corp. warrants were selling at 25 cents in 1942, few persons thought it had any possibilities — the stock had to advance 18 points before the warrants attained any value. But these were ultimately to share in the tremendous asset growth of Atlas, rising sharply in price to a high of 13⅝.

The lower price of warrants gives them a specific arithmetical advantage. Of two securities enjoying an equal advance in price, the lower priced one will afford greater percentage gains. So by purchasing warrants, the investor secures the advantage of this feature.

For example, U. S. Air Conditioning Common Stock is selling at 4⅛, and the warrants at 1¾, at which price the latter carry only an 11/16 point premium. The warrants should move with the stock, so that while a one point move in the stock is equivalent to 24.2%, a one point move in the warrants is equivalent to 57.1%.

U. S. Air Conditioning Warrants (250,000 outstanding) entitle holders thereof to purchase one share of common stock of the company for each warrant at a price of 3-1/16 from March 24, 1954, until December 31, 1957.

In other words, a three year and ten-months call is provided by these warrants on U. S. Air Conditioning Common, which is selling at 4⅛ on the American Stock Exchange.

The speculative possibilities afforded by U. S. Air Conditioning, during this three year and ten-month period, are of course, the most important reasons why I think the warrants are outstandingly attractive.

The relatively new air conditioning industry is marked by a wealth of technical know-how, is blessed by an extremely receptive consumer market. As a result, air conditioning shares have won increasing investor favor, a trend that in many cases has pushed individual stock prices well above reasonable values based on current performance.

More or less overlooked in the rush of risk capital into the industry is a comparatively small independent concern now experiencing rapid growth — U. S. Air Conditioning. Successor to a firm founded in 1933, it has an established trade position. Its products are widely diversified: refrigerated central station air conditioning systems, store conditioners, window type room air conditioners, home conditioners, fans and blowers, coil unit heaters, evaporative condensers, cooling towers, air washers.

Largest selling items currently made include the Refrigerated Kooler-Aire, store conditioners, and window type conditioners. All of these are self-contained packaged units, accounting for roughly 73% of sales.

So far, dollars and cents results have been modest. The company has never paid a dividend on the common. No dividend can be paid until all arrears ($15.75 per share, or a total of $77,962.50) are cleared up on the $7.00 no par cumulative preferred which has full priority. At present, the common carries no voting rights. Over 50% of the 4,950 shares of preferred are closely held. There are 999,500 shares of common outstanding. If all warrants are exercised, capitalization would consist of 1,249,500 shares of common.

Hampered by shortages of working capital and operating difficulties the company hitherto has not been able to expand to the fullest extent of its product lines. Steady improvement has been made, however, and productive capacity has been doubled recently by lease of additional manufacturing facilities, and further improvement along these lines can be looked forward to confidently.

An intangible, yet undoubtedly a potentially vital factor, was the appointment early in 1953 of a new president.

In his new undertaking he has shown substantial progress, in the relatively (11 months) short time he has been chief executive. 1953 sales of $7,430,000 were translated into profits of $108,000, and steps were taken to ease working capital pinch.

1954 sales projection seem likely to run to about $15 million (double last year's volume) with commensurate increase in net profits if operations run smoothly.

November 1953 sales, which started new fiscal year, were $444,000, compared with $290,000 in November 1952, gain of 50%. December shipments were affected by expansion - moving operation as well as by holidays. January shipments, bolstered by second plant's output, were about triple the $324,000 of January 1953 and February shipments were double the $659,000 of February 1953. March is expected to be the best month in company's history.

I feel that no one will question the dynamic growth factors inherent in the air conditioning industry.

It is my opinion that U. S. Air Conditioning, with its present progressive management, and improved finances is in an excellent position to share in the growth of the industry.

The warrants appear to be the best and cheapest way to achieve capital gains in this situation.

Market (over-the-counter) 1⅝ bid, offered at 1¾.

DONALD S. WARMAN
Granbery, Marache & Co.,
New York
Members, New York Stock Exchange

Owens-Corning Fiberglas Corporation—Common Stock

Because of the possibility that we have already entered or are about to enter, the initial stages of the recessionary phase of the business cycle, more than the usual element of risk is currently attached to the selection of cyclical equities — a fact which would seem to tilt the scales toward growth stocks at this time.


Donald S. Warman

In my opinion, the glass fiber industry has excellent prospects for further secular growth; and Owens-Corning Fiberglas because of its proven record of industry leadership appears to be the best medium for participation in that growth.

The present glass fiber industry dates back to 1931, when the Owens-Illinois Glass Company directed its research efforts toward the development of a new product to stimulate receding sales volume. In 1935, the Corning Glass Works launched a similar program and the staffs of the two companies shared their findings. By the time the two companies had jointly formed the Owens-Corning Fiberglass Corporation in 1938, they together had spent in excess of $5 million on fibrous glass research and development work. The products developed were named "Fiberglas." Owens-Illinois Glass, Corning Glass Works and the public each own a one-third interest in the company. Capitalization as last reported consists of $25 million Funded Debt and 3,140,694 shares of Common Stock.

Products of the company are made from glass fibers ranging in size from about the diameter of a fine broomstraw, as used in Fiberglas air filters, to the extremely fine fibers used in aircraft insulation. From one glass marble five-eights of an inch in diameter, about 93 miles of basic filament .00023 inches in diameter can be drawn.

The fibers have many of the properties of ordinary glass. They are fireproof, moisture-proof, stretch-proof, rot- and decay-proof. They do not absorb ordors, are not affected by most acids or weak alkalies, and have a higher specific tensile strength than either steel or aluminum.

The characteristics of fibrous glass enable a widely diversified application of the Company's products. The latter break down into the following major categories: wool products, textiles, Aerocor and filters.

Fiberglas wool products, used mainly as thermal insulating material and as sound absorbing material, are made from fibers of specially formulated glass, gathered in a wool-like, lightweight mass. Using its Fiberglas

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A Long-Term Market View

By EDSON GOULD
Partner and Director of Research, Arthur Wiesenberger & Co.
Members, New York Stock Exchange

Asserting "we may well see a 150 point advance from recent lows by early 1956," Mr. Gould declares the "law" of the business cycle has been altered, if not repealed, and no major bull market, such as the present, has ended until there has been a tail-end advance carrying many issues into over-bought, ridiculously high levels. Says economic factors suggest a period of rising earnings and dividends, and monetary conditions are such as to indicate no business or market squeeze. Holds international political situation is improving and war is unlikely.

A Dow of 400

The thesis here advanced is that we may well see a 150 (approximate) point advance from recent lows into late 1955 or early 1956. Inherent in the thinking behind this view are two premises:

Edson Gould

(1) The great changes in our social and economic fabric under way for the past 21 years have quite changed past indicated relationships between stock prices and business activity, stock prices and bond prices, etc., etc. The "law" of the business cycle has been altered, if not repealed. Limitations in the form of the gold standard, banking practices and normal competitive operations have been greatly modified, in some cases removed.

(2) No major bull market ever ended, no bear market ever impended, without a typical tail-end volume advance carrying many issues to over-bought, ridiculously high levels and greatly inflaming long-term confidence. At least 100 years of stock market history suggests that before this bull market ends we will see just such a development.

Here is some of the reasoning broken down by categories.

Economic

Economic factors suggest that we are in a period of rising earnings and dividends that will continue rather than reverse. In early '51 the economy was sufficiently out of balance to suggest a policy of caution. Since then a lot of water has run over the dam. Earnings on the Dow-Jones Industrial Average came down from a $32 per annum rate for the 12 months ended first-quarter 1951 to a $24 rate for the 12 months ended second-quarter 1952. Dividends per share of the Dow came down from around $17.50 for the 12 months ended second-quarter 1951 to about $15.50 for calendar 1952. Since then Dow earnings and dividends have been in a rising trend.

Attainment of $35-$40 earnings and a dividend of $20 or more seem not unreasonable over the next 2 years. On a 5% basis this would easily justify a 400+ level. At times of high confidence in the past this average has sold close to a 3% basis. Even with today's international uncertainties only 3% is currently obtainable on high grade common stocks in Switzerland — a reflection of a high level of investor confidence.

Monetary Background

At no time in recent years was there the slightest reason for believing the monetary situation would become sufficiently tight to seriously squeeze business or the markets. True, the money managers have assumed a far more powerful and important role in economic and financial affairs than ever before and their decisions and actions are highly important to the level of stock prices. Misgivings as to their policies were general in the early part of 1953, but it seemed a foregone conclusion that they would act in the manner that they have, namely, to prevent anything approaching real tightening of credit.

Since last May we had a 5-point rise[1] in Treasury 2½s. Apparently, anything approaching a semblance of "reactionary" policies toward money has been quite squelched in official quarters. We can reasonably expect relatively easy money policies, rather than the reverse, from this Administration more or less indefinitely ahead.

No nation in history has ever failed to use eventually all the credit and money at its disposal. We have in our banking system the possibilities of further expansion of many, many billions.

People, enmasse, never sell stocks in volume because they think they are too high, or for some intellectual reason. (There are, of course, many individual exceptions.) They liquidate because they have to; usually the compulsion takes the form of some kind of credit stringency. This appears years ahead.

Politics

Big money, important money has been timid and relatively unventuresome for years. This was a natural reflection of the world-wide wave of socialism and radicalism that flowed from the world-wide insistence on change following the 1929-32 dislocation.

But the pendulum has swung. In nation after nation in recent years have the elections gone to the more conservative parties and individuals. Our election here last fall (in 1952) was simply a con-

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1 Now 9 points.

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Business and Stock Market Prospects—The Long View

By JACQUES COE*
Senior Partner, Jacques Coe & Company
Members, New York Stock Exchange

Asserting the atmosphere and temperature of the Stock Market looks beyond the temporary and decidedly limited business decline, Mr. Coe predicts trend of business in last half of 1954 should be more favorable than the first half, and security prices can be expected to continue irregularly upward.

We live in a large, wealthy, dynamic country where ground swells at times assume gigantic proportions. Changes in political power have brought with them changes in economic philosophies. We witnessed such an upheaval in the early 1920's, changing from Woodrow Wilson to Harding and Coolidge, and again in the early 1930's when we went on first to Roosevelt and then to Truman, and now after 20 years, another upheaval took place in 1952.

Jacques Coe

During the 1930's and 1940's, this country had good business and some times poor business but never *sound* business. Two wars — one big and one small — have served to keep the top spinning, while as a nation we rode the inflation horse, piling up government debt, debasing the purchasing power of the dollar and increasing the cost of living.

While government bureaucracy was in the penthouse, private business, big and small, was in the doghouse. Investment capital had no confidence in the future because it held no measure of security.

The present managers of our economy would love to do a sound job of rehabilitation; in fact they started out to squeeze most of the waste, extravagance, duplication and dissolute spending out of the top-heavy government controlled octopus, but very soon it became evident that the nostrums and narcotics of the recent past, could not be replaced by ordinary solid foods overnight.

If the economy managers made one mistake at the outset, it was one of *timing*, and it is to their credit that they stopped their deflationary methods as soon as it was evident that the country was not ready for the big switch.

Since last June, an easier money policy, together with indications in all directions that the government favors private business initiative rather than government handouts, has broadcast to that vast reservoir of investment capital, a message of confidence in the future.

There are people in this room of all ages, but I venture to guess that a relatively small percentage actively were engaged in national economics or security analysis prior to 1930. A majority never have had the privilege of operating in an atmosphere of "down to earth" principles where opportunities for venture capital are abundant, without suddenly having the rug pulled away, and where one operates in a climate of assurance.

Prices rise and fall in waves of optimism and pessimism, and do so with regularity, but periods of acute depression occur only when everything is confused and uncertain. None of these elements are in the picture at the present time. As a matter of fact, the amount of inflationary ammunition that has been poured into our economy during the past 20 years never has had a chance to spread itself, because the elements of confidence were lacking.

Government's Concern Should Be Prevention of Depression

In my opinion, the concern of the government money managers in the near future should not be so much how to prevent a business recession as how to prevent a run-away inflation.

The atmosphere and temperature of the Stock Market are looking far beyond the temporary business decline. The nation's banking figures predict a dynamic rise in security prices—one of the most important and significant signposts in these banking figures is the fact that within the last number of months there has been a sharp drop in commercial and industrial bank loans which has *not* been accompanied by a greater decline in spending. Past experience and going back through these banking figures as far as 1920, warrant the opinion that any further decline in the overall business movement will be decidedly limited, and *once this fact is accepted*, then the entire approach toward the security market, should assume a more bullish temper and in a broader sense.

There is plenty of room in the Stock Market for new leadership. During the past three years we have witnessed a most selective bull market, and it happens that most of the market leaders used in the various accepted averages have outperformed hundreds of companies not in the averages and which unfortunately have had a bad time of it. There will come a time, however, when the pauper of the recent past, once again may become the prince of tomorrow, and when the "blue chips" are over priced, some of the under priced groups will come in to steal the spotlight.

Are Stocks Over Priced?

There is a big difference of opinion whether or not stocks are already over priced today, particularly the "blue chips" but if we look at the chart of the Cleveland Trust Company, in their Feb. 16 Bulletin, which has adjusted stock prices and multiples of dividends, we find that while there was very definitely an excess in 1929, and again in 1936 and again in 1946, the relationship appears to be very far away from any danger levels at the present time.

We are very well aware that in these past many years, the Stock Market has not risen or fallen as a unit. There was a time in the past when all stocks more or less went up or down, but today, with so many issues listed, one can divide the Stock Exchange list into something like 70 different groups. Taking some of the most prominent, we can divide them into three sections: those groups which are at or near their high; aircraft, banks, building materials, dry goods, electrical equipment, foods, grocery chains, installment financing, insurance, office equipment, paper, retail merchandising, utilities and rubber.

There is another group where the highs were established a year or more ago, and where substantial declines have occurred since, to wit: air transport, motors, motor equipment, chemicals, copper, lead and zinc, drugs, farm equipment, machinery, steel and iron, television and rails.

Then there are those groups which have not shared at all in the bull market, noteworthy among them are gold mining, distilling companies, amusement companies, sugar producing companies, meat packing, coal, railroad equipment and textiles.

In conclusion as to the future of business and security prices, I would predict that the trend of business for the last half of 1954, should be more favorable than the first half—that the course of security prices in the process of discounting the improved business of the latter half of the year, can be expected to continue irregularly upward. There will be overbought periods, as there always have been, but toward the latter half of 1954, I would expect the depressed group of yesteryear to join in and perhaps lead the parade.

*A talk by Mr. Coe before the New York Society of Security Analysts, New York City, March 9, 1954.

The State of Trade and Industry

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

There was no marked change in total industrial production for the country-at-large in the period ended on Wednesday of last week, since declines in some lines were counteracted by advances in others. Compared with the near-record level of a year ago, output last week continued to show a decline of about 7%.

Scattered reports told of the recall of laid-off workers in the automobile and appliance industries; however, the number of unemployed was noticeably higher than a year ago. Continued claims for unemployment insurance benefits rose slightly and were about double the total of a year ago. New claims, it was reported, rose mildly but were down considerably from the high level reached in January.

Improvement was reported in employment in industrial areas in the week ended Feb. 27, with new claims for unemployment compensation filed in 11 key states showing a decline of 26,100 to 171,400 from the week ended Feb. 20. While this indicates a turn for the better in the employment situation, joblessness is still well above the comparable week a year ago, when new compensation claims totaled 104,683 in the same states, it was noted.

All the state reports refer to so-called initial claims for unemployment benefits filed by persons who have been laid off. The number of continuing claims in these states by persons already drawing unemployment compensation totaled 1,300,872 last week. This compares with 1,337,515 continuing claims in the week ended Feb. 20.

A careful check of producers and consumers in major industrial centers across the nation indicates, according to "The Iron Age," national metalworking weekly, that an upturn in steel business is still expected.

Mills, it states, grossly underestimated consumer inventories of steel and some inventory correction may continue for months. The mills themselves have heavy inventories of ingots and semi-finished steel, lead times are being drastically shortened and the mills are using their semi-finished stocks to make good on promises of quickest delivery.

Customers, it adds, are demanding and getting quality, service, freight absorbtion and quick delivery. Rate of new orders is increasing, but individual order size is small and tonnage gain is slight.

The drop in the ingot rate is largely due to postponement of the upturn in orders steelmakers had expected. There's no denying producers had counted heavily on an upturn in March, and they are disappointed that it has failed to materialize. But their conviction that business will improve remains unshaken, continues this trade authority.

Although steel people have seldom been noted for their optimism, a good many of them might qualify today. Many of them are still betting on a 75 to 80% ingot rate for the year. If they are right, 1954 production will be between 90 and 100 million net tons. The industry has topped 100 million tons only twice in history—1951 and 1953, concludes "The Iron Age."

A light work week at many plants, heavy snows and minor cutbacks dropped United States car and truck manufacture 5% below a week ago, according to "Ward's Automotive Reports."

This agency counted 127,692 vehicles, compared to 134,615 the previous week; adding that the current week was 14% under the 148,827 completions of the same period in 1953. Over-all production for 1954 stands at an estimated 1,211,043 vehicles, some 8% behind the corresponding 1953 volume (1,311,047).

"Ward's" pointed to the all-time high level of new car stocks in the field (over 600,000) as a principal factor in this year's cumulative production total running 100,000-odd units below the same 1953 period.

To date in 1954, approximately 204,247 trucks have been erected, almost 15% fewer than were built at the same time in 1953 (239,269); car output is pegged at 1,006,796 units thus far, while the corresponding volume a year ago totaled 1,071,778.

Last week's operations were hit by one of the worst blizzards of recent years, with absenteeism and late reportees ruling out any production gains.

The hardest hit group was the independents where manufacture dropped 17% below the previous week and almost 72% below the level of the same 1953 period. General Motors volume dipped almost 11% last week, with Ford Motor Co. and Chrysler Corp. operating almost level with the previous week. The latter's count was aided by return to a second shift at the Detroit Plymouth plant, with the division turning out 10% more cars than the week preceding. A sharper upturn is expected there this week when the double shift becomes more coordinated. This will be counteracted by a 15% reduction in car output at Nash, "Ward's" states.

Canadian plants also turned out 5% fewer vehicles than a week ago, with an estimated 10,755 vehicles being built this week, compared with 11,365 in the previous week. Cumulative count to date shows that car production is up 13% and truck assembly down 12% from the same 1953 term, with overall output showing a 7% gain (96,003 to 89,769), concludes this statistical agency.

Steel Output Scheduled to Drop to 68.9% of Capacity

While the national rate of steel production declined to 70% of capacity the past week, not all districts in the country showed decreases, says "Steel," the weekly magazine of metalworking. A few turned upward or at least remained unchanged. The upturns occurred in Wheeling, New England and Cincinnati, while production was unchanged in the Far West, Birmingham and St. Louis. Decreases were noted in Detroit, Cleveland-Lorain, Buffalo, Youngstown, the Mid-Atlantic district and from revised

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Profits by Gum

By IRA U. COBLEIGH

Author of "Winning in Wall Street"

Chewing over a few facts about this almost depression-proof industry; with a special look at the two largest producers, Wm. Wrigley Jr. Company, and American Chicle Company.

The next time you see a kid strolling along the street chawing a cheekful of gum; or apply a scratchy penknife to the sole of your shoe to make your stepmore sprightly, or to prevent a bit of this renowned sidewalk adhesive from flattening out on your home Broadloom—when this happens, I say, pause for a moment to consider the position, the progress and the permanence of the chewing gum industry. It's big and getting bigger at almost a mathematically predictable rate.

Ira U. Cobleigh

While a certain class of mammals, known as ruminants, have been chewing their cuds since they first began to populate this planet, the widespread custom of chewing gum among humans is a relatively modern phenomenon, propelled to "big industry" proportions in the past 50 years principally by the power of advertising. Yet, common as gum is among us, few have the slightest idea about the ingredients of this pliable masticatory, and not one in a thousand could make a close guess as to the number of sticks produced and sold annually. It's a fantastic figure. For 1952 there were manufactured in the U. S. 22,350,000,000 single sticks of gum. In the same year candy coated and ball gum (sold mostly in vending machines) accounted for a paltry 4 billion units; while that ever popular bubble gum blew up to a total of 2,550,000,000 pieces (I can't tell you what their cubic content would be, fully inflated!). This all adds up to a total retail sale price of about $258 million (year 1952).

Who chews it all? Here again the answer may surprise you. 35% of the gum is chewed by people over 35, and 65% by people under 35. Where do they buy it? Some 6% to 10% of the total is bought from vending machines, the rest from candy, drug, chain stores, super markets, etc. Postwar, the fastest growing type was bubble gum, a fact that will come as a surprise to virtually no one. Sales of this inflatable item reached almost 15% of the industry total, but seem to have flattened off a bit recently.

About ingredients, the two principal factors are chicle and sugar chewing gum is 50% to 60% sugar. The chicle is obtained by tapping a wild jungle tree, called the Sapodilla, native to Mexico and Guatemala. The sap is drawn off, much like that from rubber trees; then it's coagulated and shipped in 100 pound bales. Don't know just how much the Communist-slanted regime in Guatemala has disturbed the chicle supply, but there have, in recent years, been developed and delivered some synthetic equivalents of chicle by Hercules Powder Co., Monsanto Chemical and U. S. rubber Co.

Industry Recession Resistant

About growth, the industry has marched forward at almost exactly 3% a year for some 40 years. This, by some sort of coincidence, is the rate of growth usually regarded as standard for the annual increase in industrial production in the United States. Further, the industry has shown a rather solid resistance to depression, with sales slipping very little, even in bad business years. If you're losing money, or out of a job, chewing gum seems to provide an outlet for energy, and a certain sort of relaxation and serenity. Gum, somewhat like Coca-Cola, which we wrote about here three weeks ago, is one of the recession resistant industries security analysts like to mention, particularly when the market is high. The demand for motor cars and minks may fall off, but, through thick and thin, people choose to chew.

The manufacturing process is pretty well standardized. Big chunks of chicle are ground down, whirled in big vats and churned with corn syrup or sugar, with various assorted flavorings added. Then the gum is rolled into flat sheets and cut up into sticks or rolled into balls or pellets. At that point, fantastic machinery is deployed into action, to wrap and seal the sticks and packages, and cartonize them for national and international distribution. The U. S. is, of course, the dominant nation in this trade, but the industry has also enjoyed some development in Germany, Egypt and, I believe, Japan.

About 27 companies turn out our national supply of chewing gum but the volume is accounted for by the top three — Wrigley, American Chicle and Beechnut, who, together, account for over 80% of the total output (1952). We shall spend a little time reviewing the first two, but leave out Beechnut only for the reason that gum is not the primary section of its business, but rather packing and canning. Gum or no gum, however, it's an excellent company.

The Wrigley Company

Wm. Wrigley Jr. Company is the world's largest chewing gum producer offering the well-known Spearmint, Juicy Fruit, Doublemint and P. K. brands. It's an eminent industrial enterprise, with a continuous record of dividend payment going back to 1913 —41 years. Operating from a main plant in Chicago, which can turn out 7½ million 5c packs a day, it also produces in factories in Canada, New Zealand, Australia and England. A new $2 million plant is to be completed at Santa Cruz, Calif., this summer, which will free the Chicago plant from the necessity of supplying the Rocky Mountain and West Coast areas.

About earning power, the net sales have advanced steadily for the past ten years at roughly a 9% annual rate; and have expanded from $50 million in 1947 to about $80 million for 1953. Net earnings are distributable among 1,968,484 common shares (sole capitalization) listed NYSE and per share for 1953 should exceed $5 against $4.25 dividends paid. Historically, WWY has been a generous cash payer, delivering to shareholders usually between 80% and 90% of net each year. It can afford to do this first, because of the great stability of earning power, second, because of no heavy annual need for plant renewal and expansion, and thirdly, because of a Tiffany-type balance sheet position—year in and year out. A shapshot of the current position would probably show a better than 4 to 1 current assets ratio, with cash alone well over twice liabilities.

For the longer view, repeal of EPT will improve earnings this year, capital improvements have improved plant efficiency; and a more pronounced downturn in our business cycle, might bring lower raw material costs. In the business declines of both 1938 and 1949, Wrigley was able to show net increases over the preceding years. While WWY common will probably not appear on many lists as a "growth stock," it has been a most durable investment; and to those seeking continuity and generosity of cash dividends, WWY offers a rather ingratiating value, at around 81.

American Chicle

Second in size in this field is American Chicle, producer of Chiclets, Beeman's Black Jack and Dentyne. In addition, it has gone in for breath sweetening and purifying by offering martini fanciers and onion lovers a choice of either Sen-Sen, or Clorets, a gum laced with chlorophyll. This last item, while requiring heavy early outlays for advertising and promotion cost, is now well established and has added an important new dimension to ACJ earning power.

Net sales have advanced from $34.4 million in 1949 to around $50 million last year. Like Wrigley, American Chicle has a strong balance sheet and an uncluttered capitalization — merely 1,298,475 common shares listed on NYSE and now selling at 51. 1953 dividend was $2.50 and will definitely be higher for 1954. Unbroken dividends here go back to 1926 and there was a 3 for 1 split in 1947. The shares (adjusted for split) earned $1.25 and paid $1 way back in that dreary year, 1932. ACJ may not be a market gazelle, but it's a sound income producer; and orderly yearly sales increases should, in due course, find their logical reflection in higher market quotations.

Prehistoric men are supposed to have chewed gooey sap from trees, spruce resin was chewed by the Indians to slake their thirst; and we civilized folk have picked it up from there, multiplying the use of gum a million fold by advertising genius and mass production. Gum, like cigarettes, pop soda and baseball, seems to be tailored into our American way of life; and the leading companies that produce it have given employment and enjoyment to hundreds of million jaws, and made distinguished contributions to our enterprise system and to investor serenity. Chew this over and you may wind up buying anything from a pack to a couple of hundred shares.

Joins Marache Dofflemyre

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Joseph J. Kudzia has joined the staff of Marache, Dofflemyre & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. He was formerly with First California Company.

Boomland Germany—For How Long?

By A. WILFRED MAY

In an on-the-spot survey of Europe's new economic phenomenon, Mr. May weighs the elements which have furthered Western Germany's remarkable progress. After citing her vulnerable points, he concludes that, in the absence of all-out war, present boom will subside to normal healthy economic growth.

BONN, GERMANY—Admittedly the hum of the Rhineland industries and the prosperity demonstration at the Cologne and Dusseldorf gateways to the Ruhr industries epitomize one of the most remarkable economic resurgences of modern times. But, is today's Germany actually an economic juggernaut, justifying the growing worry by ally and foe; or, is her apparent high-riding prosperity fortuitous and headed for a fall?

A. Wilfred May

The answer to this question has deep implications in the economic sphere, ranging all the way from worldwide living standards to maintainability of the newly renewed servicing of the Dawes and Young loan bonds. Hence let us inventory the several assets and liabilities of the nation's balance sheet.

The Plusses

First on the ledger's right side are the remarkable production increases which began after three years of postwar desolation—a period which witnessed a 45% production decline compared with prewar, following the nation's near annihilation, and not forgetting the loss of her vital Eastern bread basket.

After sweating it out for three post-armistice years, industrial production rose sensationally by 200% from 1948 to 1953. The index of agricultural production in the same interval shot up from 79 to 114 (based on 1936). Export trade was transformed from a deficit of 509 million marks to a surplus of 807 million, so great has been the country's foreign trade achievement that reserves in gold and bullion were increased from $161 million in 1950 to $1.11 billion by the end of 1953, a doubling having occurred alone since November, 1952.

Incredible though it may seem, Germany is now a resting place for *Hot Money* to the extent of 2 billion marks, an amount which is rapidly growing; supplanting a withdrawing Switzerland, and including balances circuitously entering from behind the Iron Curtain.

The employment situation is satisfactory, but not sensationally so. In December, 1953, there were 1½ million unemployed, unchanged from 1949 but comparing with a 12% increase in the employed—from 20 to 22½ million persons—resulting from the entrance of new people, notably including refugees, into the labor force.

We must objectively list on the pro-recovery side the obsequiousness of the labor unions, making national recovery the number-one plank in their program.

A marked rise in the standard of living, was accomplished without inflation, but with a rise in real wages—20% in the past three years, and of 91% since June, 1948—and with a constant build-up in individual's savings.

* * *

The Recovery Props

Is the country's sensational comeback really the result of the German-vaunted will-to-work; of observance of the principle of "living to work in lieu of working to live?" That the work-live factor has been exaggerated as a recovery cause is indicated by the productivity record, absolute and in comparison with other countries. Productivity, with 1936 as the base, has increased only by 14%, and with 1938 as the base only by 3.8%, up to 1953. In the case of either interval, German productivity has not kept pace with either the United States or even many other European countries.

Of far greater importance to the recovery has been the maintenance of institutions of the free market. In discussing this at an interview here, a high American spokesman, noted for his liberal economic views cited the segregation of the functions under the Constitution of banking and Treasury financing, which assure a stable currency without inflationary financing—and all in line with Minister "recovery wizard" Erhard's unswerving de-

Continued on page 33

We Must Avoid Deficits in Making Tax Reductions

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

The Eisenhower Administration, in its first year in office, has been working toward the accomplishment of two great goals. They are:

That we have military strength sufficient not only to defend ourselves but also to help bring real peace to all the world.


George M. Humphrey

And that we maintain an economy of such strength and productive power that it can continuously support that military requirement.

In both defense and foreign relations the Administration has made great progress in the past 12 months. We have taken substantial steps toward shaping a posture of defense which will provide reasonable security from attack from abroad and at the same time be within the limits of our economy to support for the long pull if necessary. We are reshaping our defense so that it is not on a crisis-to-crisis basis. We are reshaping it so that it will be fluid and continually modernized and progressively stronger and stronger and still be within the limits of our economy to support for an indefinite number of years, not knowing when, if ever, the critical moment may appear.

The problems of our posture of defense are related directly to the Administration's fiscal and economic problems because we must find and maintain that very delicate balance between security from attack from abroad and a strong economy here at home.

During the past year the shooting war in Korea has ended. This, of course, has been not only a thankful thing for all Americans who had loved ones involved in it, but provides less drain on the financial requirements of the government.

This with the reductions which are being made as a result of the "new look" in defense and the greater emphasis on the use and effectiveness of new weapons has permitted substantial reductions in the expenditures required in the coming year. However, the costs are still high and about 70 cents out of every dollar of tax money collected from the people still is being spent for our collective security. Added to this is also the continuing costs which we must now bear for the expenditures made in past wars which were not paid for currently as the money was spent but which was then borrowed and now is a continuing charge against us and burden upon future generations.

Enough of this deficit spending has already been done and we must see to it that we in turn avoid more and more deficit financing and keep our present taxes sufficiently high to pay-as-we-go currently to the greatest possible extent. In that way we will not pass more and more debts on to already over-burdened future generations which our children and grandchildren will have to pay for us.

In a Transition Period

We are now passing through a period of transition. Neither real peace nor real war. Our costs of security are declining as the effectiveness of our better planned security increases. As fewer men are at work on weapons of war more men must find employment on products of peace. Men making guns for killing must change over to make all manner of things for living. As war jobs decline new peace jobs must be created.

It is a great transition and it involves painstaking effort to accomplish it without serious dislocations being created. Some unemployment as the change-over continues cannot be avoided. The switch cannot in all cases be completed immediately but by careful management and proper fiscal policies it should be done with the least possible interference in the daily lives of the great mass of our people.

As the President's Economic Report to the Congress in January said, this nation can make the transition to a period of less costly preparedness without serious interruption in our economic growth. I feel today, as the President said in transmitting the Economic Report in January, that there is much that justifies confidence in the accomplishment of this transition with a minimum of difficulty.

Administration's Tax Program

Of particular significance to me, and a main reason for my confidence in the future, is the Administration's tax program. Changes which have already been put into effect and others which have been recommended to be made in the tax structure contribute greatly to our confidence in the creation of new jobs for better fuller peaceful living to replace the declining jobs for making instruments of death.

The broad outlines of the Administration's tax program have not been changed, despite suggestions for a different approach which have been urged in recent days.

In the past 12 months this Administration has cut more than $12 billion from anticipated current and future government spending. This reduction in proposed spending made possible the tax cuts on January 1. These cuts are now leaving with the taxpayers more than $5 billion a year which formerly was spent by the government. Further changes in the tax system being worked out between the Treasury and the Ways and Means Committee over recent months will, when enacted, provide further reductions that will amount to something more than an additional $1½ billion.

Thus more than $6½ billion will be released to the people by tax cuts this year. This is a tremendous sum of money which is being left in the pocket books and transferred to the purchasing power of millions of Americans.

We are cutting taxes even though we have not arrived at a budget balance. There is a very good reason for this. We must always anticipate the reduction of government expenditures and begin to transfer billions of dollars, which the government will not be spending, back to the taxpayers so there will not be any sudden dislocation resulting from the lack of these dollars being available to be put into the nation's spending stream. In that way we help to maintain stability.

This revision bill which has been developed by the Ways and Means Committee in cooperation with the Treasury will be ready for final Congressional decision within the next few days. This bill is the result of months of long study which included the appearances of hundreds of expert witnesses from all walks of life. This tax revision program will help the nation make the transition to a period of less costly military preparedness without serious interruption in our economic growth. About two-thirds of the $1½ billion relief from this tax revision bill will go directly to millions of individual taxpayers suffering from special hardships and unfair taxes. About one-third will benefit all individuals by strengthening incentives, by making more jobs, by increasing the efficiency of our farms, mines and factories, and by increasing the demand for the products of fuller and better peaceful living.

This total tax reduction of more than $6½ billion can be accomplished, we believe, substantially within the limits of the President's proposed budget, and without increasing deficit financing except to approximately the amounts additionally collected for the government's trust funds.

Opposition to Blanket Increases in Exemptions

We have said time and again that we are determined to continue to make tax reductions from time to time and to return tax money to the people, for them to spend for themselves rather than have the government spend it for them, just as rapidly as further reductions are justified. We believe in carrying out this vital task in a way that will bring permanent benefit to all our people and our country. But we will vigorously oppose blanket increases in exemptions that will throw us back into substantial deficit financing which cannot be justified at the present time and which we have been working so hard to overcome.

When considering just what blanket increases in exemptions would do, we must note exactly what the revenue losses would be. The key fact is that for each $100 increase in exemptions above the present $600 per person there is a loss in revenue to the government of $2½ billion a year. So that an increase this year to $800 in personal exemption, as has been suggested, would result in an additional deficit of $5 billion in complete reversal of all that we have done toward sound financial management of the government's affairs.

I do not believe that the American public wants its government to reverse itself, to shirk its current responsibilities and to pass on to future generations, our children and our grandchildren, the costs that we ourselves should currently bear.

When the Ways and Means Committee's proposed bill is presented in detail millions of taxpayers will find in it correction of many of the tax hardships and abuses from which they have suffered in the past. The release of this huge amount of money for the people to have this year, when the whole program is adopted, will be stimulating to the economy and will be within the limits of sound financial management which is essential to further progress for the Nation's welfare.

It's our job now, it's the job of this generation to not only pay its own bills but to so handle our country's affairs that we continually make progress toward real peace in the world, and as we progress toward peace in the world we here at home must progress with the inevitable transition from war to peace, from jobs making tools for killing to jobs making peaceful life more and more worth while.

*An address by Secretary Humphrey before the League of Republican Women of the District of Columbia, Washington, D. C., March 1, 1954.

Which Stocks to Buy?

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

Mr. Loeb, contending that more people should buy and hold stocks, says if the market were normal and keeping in step with wealth and growth of activity of the country, we would be seeing six million share days on the New York Stock Exchange. Praises the Monthly Investment Plan. Holds the best investment has now become the best speculation for capital gain. Names stocks to buy.

What's different about 1954? Well, for one thing, not enough people own stocks and they're beginning to realize it. It's really pretty wonderful to enjoy yourself sunning on the beach at Miami and let the management of the corporations you own fret about earning dividends for you. And just an unpopular aside — don't try to buy management at bargain rates. Anyway, not enough people buy stocks. If the market were normal and just keeping in step with the wealth and growth and activity of the country, we would be seeing six million share days as a regular thing. The New York Stock Exchange knows this and they started the new Monthly Investment Plan. Of course, they want the business but it's really good for people too.


G. M. Loeb

The publicity released on this includes a lot of figures on what great gains you can make. I think that's really beside the point. It makes much more sense to me to compare stock ownership with other ways of saving. On this basis, stock ownership for a proportion of your funds will become a *must*.

The Monthly Investment Plan lets you become an investor with as little as $40 a month, or even only $40 a quarter. However, the fact is first investors really should have $1,500 to $2,000 to begin with.

However, the monthly plan is very good because the plain mathematics of systematic savings and compound interest working together pay off marvelously well. I think also that these Monthly Investment Plans ideally lend themselves to a special purpose account. Even large investors like to put aside money regularly for special purposes such as extra income for retirement, educating the children, improving your home, more vacation or travel and a summer home or hobbies, etc.

I am very strongly of the opinion that for reasons I won't detail here the best securities for the MIP are listed investment trusts like Tri-Continental, for example.

What else is different and new about 1954? Well, if you will call what's been happening since 1954 as new, there really are new stock market patterns since that time. It seemed to me that before 1946 if the market went up and you had a leading stock, you make a profit and if the market went down you suffered a loss. It was more important pre-1946 to know when to have stocks and when to have cash.

Now, since then, I think it's been more important to have the right stocks. There seems to be more divergence, both from a quality standpoint and a group or company standpoint. For instance, the Dow made a high in January, 1951, and it's about back there now. But if you had owned base metal stocks, drug stocks, farm equipment, gold, textiles, tobacco or independent motors, etc., the recovery in the Dow Industrials has not helped you. You'd have a big loss. On the other hand, the fortunate owners of aircraft shares, paper, rubber, retail trade, insurance, office equipment, electrical equipment, etc., have done very well. And there are other groups in between.

Since 1946 there has also been more of a divergence from a quality standpoint. The blue chips are up. The cats and dogs, low priced and marginal stocks are mostly down. Incidentally, there are valid reasons for this in the tax picture and in the industrial production picture.

Thus, the best investment has also become the best speculation for capital gain. For example, take General Electric up 35 points since September, from 69 to 104. And, on the other side of the picture, take Nash or Studebaker, both lower than they were in September. Even those who pay such high taxes that they don't want dividends are finding that dividend-paying ability is a badge of success. And they're finding that dividend-paying ability creates demand for stocks at increasing prices. So that even if they pay out 90% of the dividends they get in taxes, they still want dividend paying stocks because they are giving the best market performance and have the best chance for capital gains.

Thus, since 1946, those who are always long of the right stocks did better than those that tried to be in and out at the right time. Selective buying has paid off big.

Where do you stop buying listed investment trusts or mutual funds and try selective buying on your own? I think after you have $2,500 to $3,500.

Following the meeting there will be a question and answer period. However, I know one of the questions I'm always asked is what individual stocks to buy. So, I'm going to answer that now. The issues I am listing are picked on the basis of long-term merit. Some may be temporarily overpriced. I think, however, that for non-professionals it is better to own the right stocks at the wrong price than to try timing a market which is something that is very difficult to do.

Among the *oils* I like Standard Oil of New Jersey, Texas Corp. and Shell.

Among *electronics* — General Electric and Philco.

Aircrafts—United Aircraft and Douglas.

Chemicals—du Pont and Allied Chemical.

Motion Pictures—Paramount.

Rails—Union Pacific and Atchison.

Investment Trusts — Lehman Corp. and Tri-Continental.

Among the miscellaneous I like American Home Products, Owens Corning Fibreglas, International Paper, Minneapolis Honeywell, IBM, Goodrich, J. C. Penney, Reynolds Tobacco, Aluminum Co. of America, Minnesota Mining.

And for speculation, I like New York Central, Pepsi-Cola, Radio Corp., Kaiser Aluminum and Stanley Warner.

*A talk by Mr. Loeb before the Federation of Women Shareholders in American Business, New York City, March 8, 1954.

Fair Prices

By ROGER W. BABSON

Mr. Babson discusses the "Fair-Trade" laws, and notes, despite the constitutionality of such price-fixing legislation, final decision lies with consumers, not with the courts. Holds price-fixing won't solve our price problems, any more than government regulations, and says price-cutting may have its uses, but neither laws nor court action can outwit the Law of Supply and Demand.

I wonder if you have noticed in the columns of your paper that another tempest is brewing between some manufacturers and the sellers of their merchandise. Cause of the blow: merchandise is being sold below fair-trade prices.

Roger W. Babson

Before the war, on the Continent and especially in Southeastern Asia, nobody ever paid the asking price unless he had a hole in his head. At that time, in America, very few ever questioned the list price. Today, in increasing numbers, Americans are shopping for discounts. I am convinced that this movement is largely encouraged by returning soldiers from abroad. After their experiences both in foreign countries and in their canteens here at home, it is very difficult to get them to pay list prices anywhere.

On the other hand, courts of the States having "Fair-Trade" laws have upheld the legality of such laws. Recently, the Supreme Court of the United States has favored the "fixed-price" manufacturers. However, the final decision lies with consumers, not with the courts. Remember what happened to all the oleomargarine legislation.

The Manufacturers' Argument

Price-fixing, some manufacturers say, is necessary in order to get the widest possible distribution. The argument here is that if a company's product is being undersold by a price-cutter, the legitimate dealer will give up that line of goods, distribution outlets will shrink, orders drop off, production lag, and workers will be out of a job. For this reason, these companies say the time has come for them to spend money on lawyers, as well as on advertising. They are ready to spend plenty to curb price-cutting of "fair-traded" merchandise. My sympathies go out to them.

There is little question that profit margins in some industries are slim. Let's admit it, though—the profit take in other industries is fabulous, and word has gotten around. How? Via consumer economics courses in public schools and colleges, consumers' buying magazines, and by word of mouth.

Some Simple Economics

It is my belief that price-fixing won't solve our price problems any more than Government regulation. This once seemed an easy solution to the problem. Fair-trading and insistence upon maintaining a price level may help keep the inefficient businessman in business a little longer. In the long-run, however, it may only prolong the day of judgment.

Newton's Law of Action and Reaction is a powerful natural law which cannot be legislated out of existence. Economic periods of adjustment are not just accidents. Such periods usually develop out of excesses practiced during boom conditions. Businessmen become too bullish; they may misjudge the future; they overestimate their markets and the size of the consumer's pocketbook. So when demand slackens, a reaction sets in and somebody cuts prices to move some stuff.

Price-Cutting May Have Uses

This is a perfectly reasonable course of behavior, and it may be good for our economy because it shakes out some of the deadwood, sharpens production efficiency, activates consumer research, improves quality, makes management more cost-conscious, and forces it to reappraise its pricing policies. I forecast that neither legislation, nor a stiff-necked policy, nor court action will outwit the laws of Supply and Demand, Action and Reaction.

Perhaps the time has come for a reappraisal of profit margins. Don't get me wrong. I believe in the profit system. A profitless volume, like a profitless prosperity, will get us nowhere. What I want to point out, however, is that "Fair-Trade" laws or price-cutting are not the real problems. These are symptoms of our basic difficulty. What needs to be cured is not the symptom, but the problem. Let's get on with solving the problem of more efficient and more honest management.

Dealer-Broker Investment Recommendations & Literature

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

Closed-End Investment Companies—Discussion with particular reference to **Atlas Corporation, General American Investors, Lehman Corporation, National Aviation Corporation, Petroleum Corporation of America** and **Transamerica**—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

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

Graphic Stocks — March issue containing over 1001 charts showing monthly highs, lows, earnings, dividends, capitalizations, volume on virtually every active stock on New York and American Stock Exchanges for 12 years to March 1, 1954; includes up-to-date earnings reports and 14 new charts —single copy, $10; yearly (6 revised issues), $50—F. W. Stephens, 15 William Street, New York 5, N. Y.

Insurance Stock Prices—Comparative figures based on preliminary earnings for 12 months ended Dec. 31, 1953—Geyer & Co. Incorporated, 63 Wall Street, New York 5, N. Y.

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

Low Priced Stocks—Bulletin—Price, McNeal & Co., 165 Broadway, New York 6, N. Y.

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

Reappraisal of Japanese Corp. Fixed Assets—Brief discussion of proposed new government measure in current issue of "Stock Bulletin"—The Nikko Securities Co., Ltd., 4,1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

* * * *

American Encaustic Tiling Company, Inc. — Annual report — American Encaustic Tiling Company, Inc., Lansdale, Pa.

American Encaustic Tiling—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y. Also available is a report on **Public Service Electric & Gas Company.**

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

Carborundum Company—Report—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y. Also available are brief analyses of **New York Central Railroad, Pittsburgh & West Virginia Railway, Portland Terminal Company** and **Union Pacific Railroad.**

Caterpillar Tractor Co. — Memorandum — Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y. Also available is a memorandum on **White Motor Co.**

Chicago Corp.—Memorandum—Hicks & Price, 231 South La Salle Street, Chicago 4, Ill.

Christiana Securities Co.—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Commercial Credit Company—42nd annual report—Commercial Credit Company, Baltimore 2, Md.

Dayton Power & Light Company—Annual report—The Dayton Power & Light Company, 25 North Main Street, Dayton 1, Chio.

Fitzsimmons Stores—Analysis—Lester, Ryons & Co., 623 South Hope Street, Los Angeles 17, Calif.

General Acceptance Corporation — Analysis — Kalb, Voorhis & Co., 25 Broad Street, New York 4, N. Y.

General Electric Company—Annual report—Department 119-2H, General Electric Company, Schenectady, N. Y.

Giant Yellowknife Gold Mines, Ltd.—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Gulf Interstate Gas Co. — Memorandum — Rotan, Mosle & Cooper, 705 Travis Street, Houston 2, Texas.

Haile Mines, Inc. — Analysis — Eastern Securities Inc., 120 Broadway, New York 5, N. Y.

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

Landers, Frary & Clark — Memorandum — Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif. Also available is a memorandum on **Packard Bell Co.**

Madison Gas & Electric Company—Special report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also available is a report on **Lakeside Laboratories, Inc.**

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

New York Air Brake—Analysis—Boettcher and Company, 105 East Pikes Peak Avenue, Colorado Springs, Colo.

New York Central Railroad Company—Bulletin (No. 153)—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available are two bulletins on **Railroad Switch Suggestions** (Nos. 154 & 155).

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

Puget Sound Power & Light Corp.—Analysis—Ira Haupt & Co., 111 Broadway, New York 5, N. Y.

Puget Sound Power & Light Co. — Memorandum — Goodbody & Co., 115 Broadway, New York 6, N. Y.

Rayonier, Inc.—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is a list of stocks with **Growth Potential.**

Reeves Soundcraft—Analysis—John R. Boland & Co., 30 Broad Street, New York 4, N. Y.

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

Robbins Mills, Inc. — Bulletin — Filor, Bullard & Smyth, 39 Broadway, New York 6, N. Y.

Russell Reinforced Plastics Corporation—Analysis—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

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

Vitro Corp. of America — Analysis — Leason & Co., Incorporated, 39 South La Salle Street, Chicago 3, Ill.

NSTA Notes

NSTA MUNICIPAL COMMITTEE

Ludwell A. Strader, Chairman, Municipal Committee, National Security Traders Association, Inc., has announced the following members for his committee for 1954: William Roos, Vice-Chairman, MacBride, Miller & Co., Newark, N. J.; John W. Clarke, John W. Clarke, Inc., Chicago, Ill.; William D. Croom, First Securities Corp., Durham, N. C.; Henry E. Dahlberg, Henry Dahlberg & Co., Tucson, Ariz.; Russell M. Ergood, Jr., Stroud & Co., Inc., Philadelphia, Pa.; Landon A. Freear, William N. Edwards & Co., Fort Worth, Texas; John N. Fuerbacher, Walter, Woody & Heimerdinger, Cincinnati, Ohio; Houston Hill, Jr., J. S. Strauss & Co., San Francisco, Calif.; Gustav Klein, Mead, Miller & Co., Baltimore, Md.; Alonzo H. Lee, Sterne, Agee & Leach, Birmingham, Ala.; John J. Zollinger, Jr., Scharff & Jones, Inc., New Orleans, La.

Ludwell A. Strader

The chairman and members of the Municipal Committee will value any constructive suggestions in connection with their work.

SECURITY TRADERS ASSOCIATION OF NEW YORK

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

Team:	Points
Manson, Jacobs, Topol, Weissman, H. Frankel	25½
Donadio, Craig, Gronick, Bies, Demaye	20
Serlen, Rogers, Gold, Krumholz, Gersten	18½
Kaiser, Hunt, Werkmeister, Swenson, Ghegan	17½
Growney, Corby, Siegel, Voccolli, Lienhardt	16½
Bean, Bass, Valentine, Eiger, Bradley	16
Leone, Nieman, Gannon, Tisch, Greenberg	15½
Burian, Gavin, Clemence, Montanye, Whiting	14
Krisam, Pollack, Cohen, Smith, Strauss, Define	13
Klein, Fredericks, Murphy, Weseman, Mewing	13
Meyer, M. Meyer, Frankel, Wechsler, King	5½
Hunter, Brown, Alexander, Farrell, Barker	5

200 Point Club

Jack Manson	219	Charlie Kaiser	207
Ernie Lienhardt	200	Art Burian	201
Julie Bean	214	Sam Gronick	200

5 Point Club

Joe Donadio

COMING EVENTS

In Investment Field

Mar. 31-April 1, 1954 (Chicago, Ill.)

Central States Group Investment Bankers Association of America, 18th annual conference at the Drake.

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.

With Hornblower in Cleve.

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Walter S. Moe is now associated with the Cleveland office of Hornblower & Weeks, Union Commerce Building. Mr. Moe who has been with Hornblower & Weeks for many years was previously in their Chicago office.

With Jaffe, Lewis Co.

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Andrew F. Borla is now with Jaffe, Lewis & Co., 1723 Euclid Avenue, members of the Midwest Stock Exchange. He was formerly with Slayton & Co., Inc.

Joins John A. Dawson Co.

(Special to The Financial Chronicle)

CHICAGO, Ill. — Edith M. Brown has become affiliated with John A. Dawson & Co., 1 North La Salle Street, members of the Midwest Stock Exchange. Miss Brown was formerly with Thomson & McKinnon and Reynolds & Co.

With Wyatt, Neal Co.

(Special to The Financial Chronicle)

ATLANTA, Ga. — Samuel W. Preston, Jr. has become affiliated with Wyatt, Neal & Waggoner, First National Bank Building. Mr. Preston was formerly with Hancock, Blackstock & Co.

Rejoins Fahnestock Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Frank N. Plain has rejoined the staff of Fahnestock & Co., 135 South La Salle Street. He has recently been with Goodbody & Co.

Parsons Adds to Staff

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Harry H. Oberman has been added to the staff of Parsons & Co., Inc., NBC Building.

With Anderson Cook Co.

(Special to The Financial Chronicle)

PALM BEACH, Fla.—Walter H. Herrington is with Anderson Cook Co., Inc., 208 South County Road.

Investment Research in Present Economic Situation

By HAROLD B. DORSEY*
President, Argus Research Corporation, New York City

Mr. Dorsey, pointing out it is hazardous to make an investment on the premise that historical price performance of an issue is likely to be repeated, stresses need of keeping investment research procedure up-to-date. Says security price fluctuations are influenced by broad economic forces, and ascribes present confusion regarding the business outlook to "unwillingness to face certain facts," which he enumerates. Sees as unfavorable factors a saturation in supply of producers' and consumers' durable goods, a slackening of rate of debt expansion, and a decline in personal income. Advocates careful review of investment commitments.

For the past 25 years, I have participated actively in the evolution of economic and investment research procedures; and now, as I study this experience in its broad perspective, it seems to me that this evolution has some very interesting aspects, the practical significance of which may have escaped general attention. The development of this type of research work has become a force as well as a process. I would like to speak about this force, make a few suggestions about the process, and then discuss some of the current problems of the investment officer as I see them.

Harold B. Dorsey

All of us critically analyze the affairs of a given company before granting it a loan or investing in its securities. Our appraisal of its worth is influenced by the management's ability to adjust operations to changing conditions. I suggest that we should undertake a little introspection at this time to see whether our own operating procedures in the investment field are giving consideration to changing conditions. Like every other component of the economic machine, investment work has become more intricate and more highly specialized. The investment manager who makes his decisions by ear, or by his recollection of historical behavior, does not have much chance of recording an above-average performance, especially in the light of changing business conditions as I see them today.

I will not bore you with the details that would demonstrate the improvement in the techniques of investment research over the last quarter of a century. But I do want to point out the significance of the fact that there has been a very gratifying improvement in the quality of investment analysis and in the scope of its application. Because a larger proportion of investors are much better informed about real values, it logically follows that there should be an alteration in the historical pattern of the supply and demand equation for investments.

To give an extreme illustration of the point that I have in mind: Under conditions that prevailed during the first half of 1953, the price of the stock of U. S. Steel might have been expected to rise to $100 a share, if it were to conform with the 1937 price-times-earnings pattern. But, as you know, the best price in the past year was in the middle '40's. It is my contention that one of the important reasons for this digression from the historical price behavior was the fact that more investors are better informed today than they were years ago.

I realize that very few in this group are particularly interested in the price behavior of a cyclical stock like U. S. Steel. However, I think the same force that was having such a marked effect on the price of that issue applies in varying degrees to other types of investments for precisely the same reasons. My first point, therefore, is to suggest that it has become hazardous to make an investment commitment on the premise that historical price performance of the issue is likely to be repeated—that the investment market must necessarily repeat the errors that were made in earlier periods. I have seen many instances wherein investment mangers have made a mistake in their investment decisions on individual issues because they were more influenced by outdated concepts than they were by the evident forces which strongly suggested an alteration in the historical pattern.

This thought, in particular, applies to the investment officer who believes that we must have either all-inclusive bull markets or all-inclusive bear markets. Witness the experience of 1953. Some securities were in a bull market, but in most instances there were very sound reasons why the demand for these issues should be increasing. A great many securities were in a full-fledged bear market; but here, again, there were very logical reasons why that should be so. One important cause of the price behavior is to be found in the fact that the investment researchers were doing a better job and their conclusions were being more widely accepted by investors.

Evolution in Investment Research

The very fact that the evolution of the investment research work has become a force—a more sensitive deteriminant of investment prices—should focus attention on the need for keeping the investment research procedures up-to-date. As the director of a research staff, I am very conscious of the importance of stimulating my specialists to develop new techniques, to develop new sources of infomation, and to include as an integral part of their analyses a logical interpretation of the probable effects of changing economic conditions.

I would like to focus your attention on this latter point as a matter that should command your consideration at this particular time, because a proper interpretation of economic forces at this juncture is likely to have an important influence on the success of your investment policies. It can be demonstrated that investment price fluctuations are being influenced to a steadily increasing degree by the broad economic forces, some of which are beyond the control of corporate managements. Indeed, we see many instances wherein corporate managements are slow to appreciate the degree to which they, themselves, are responsible for economic maladjustmens. Herein, we recognize a condition that should be an integral part of an investment appraisal. At this very moment, it seems to me that opinions about the business outlook are confused by an unwillingness to face certain facts.

Before I proceed any further with this particular aspect of the situation, I feel that it is necessary for me to make a plea for unemotional understanding. We are responsible for the investment of other people's money. In discharging this responsibility, we must be completely realistic. Perhaps some good is accomplished by reassuring statements, but I seriously doubt it. As a matter of fact, it is my own view that the real villians of a business depression are the leaders whose unrealistic optimism encourages the overexpansion that subsequently has to be corrected by a business setback.

Dr. Edwin G. Nourse, former Chairman of the President's Council of Economic Advisers, expressed this view very succinctly, when he said: "It is my conviction that no one can scare a sound economy into a depression, and that Pollyannas cannot keep business errors and government subterfuges from facing an ultimate day of reckoning. We stand a better chance of checking a recession before it gets out of hand, and of initiating real and timely recovery measures, if we unshrinkingly dig out and face the facts, however unpleasant."

Realism Needed in Investment Analysis

Your attitude and mine, at least, cannot afford to be influenced by hopes, fears, or any other emotion. Our work is an integral cog in the nation's economic machine, and we cannot discharge our responsibilities satisfactorily unless we are completely realistic in our analysis of the facts. Now, I would like to direct your attention to a few of the pertinent facts that are often overlooked:

Fact 1—The annual average of consumer expenditures for durable goods, after making full allowance for population growth and for price changes, during the seven postwar years 1947-53, was 53% higher than 1940 and 86% higher than the 1935-39 average. Bear in mind, this figure is over and above the effects of population growth and higher prices. On a unit basis, each theoretical person was spending 53% more for durable goods than he was in 1940. On the same basis — that is, making allowance for population growth and price changes — expenditures in the seven postwar years for construction and equipment averaged 64% higher than 1940 and 131% higher than the 1935-39 average.

These heavy-type expenditures are the most volatile segments of our economy. They are the dynamic purchasing power creation segments; they have a multiple, or a spiral, effect on activity. The figures show that they have been running at a very high rate, by historical comparison, for a prolonged period of time, even after we make full allowance for population growth and price changes. This phenomenon must be one of two things: either it is a new era, or we should suspect that it contains important elements of overexpansion.

This is merely statistical support for the common observation that much of the activity that we have seen in the postwar period represented not only the satisfaction of current needs; but it also represented the filling of a backlog of needs, a filling of pipelines, and an anticipation of future needs. Bear in mind that these expenditures for producers' and

Continued on page 26

*An address by Mr. Dorsey before the Annual Savings and Mortgage Conference sponsored by the Savings and Mortgage Division of the American Bankers Association, New York City, March 2, 1954.

Dangers in Rapid Conversion of Short-Term Federal Debt

By LAWRENCE H. SELTZER*
Professor of Economics, Wayne University

Asserting it can be reasonably concluded that the inflationary pressures of the war and the postwar periods are behind us, Professor Seltzer cautions against speeding up the funding of short-term Federal debt into long-term securities. Points out, if supply of short-term Treasury securities were reduced too sharply, business corporations would be forced either to hold larger bank balances or to seek short-term private obligations. Concludes, with our growing population and output, we need a continuing growth in money supply and other liquid assets.

I should like to begin by expressing my high admiration for the "Economic Report of the President." Its analysis of the current condition and recent past of our economy is cogent, comprehensive and extraordinarily lucid. And I particularly like its strong emphasis upon the need for maintaining an expanding economy.

Lawrence H. Seltzer

Since I have been invited to address myself specifically to monetary policy, debt management, and interest rates, I shall use the few minutes at my disposal to discuss these mainly in relation to the requirements of an expanding economy. For the great danger at the end of any inflation period is the natural tendency of public officials and private citizens alike to be more fearful of the possibilities of further inflation than of the possibilities of deflation and the severe dislocations and unemployment that often accompany it. Historically, the longest and deepest declines in the price level have occurred after major wars, such as the 35-year decline in Great Britain after the Napoleonic Wars and the 30-year decline in the United States after the Civil War. Between 1920 and 1930, following World War I, our wholesale commodity price index fell 44%. This price decline was sharp in 1920-21, then mild until 1930. It was marked by nearly continuous difficulties in some of our agricultural areas. After 1922 and until 1930, however, it was accompanied by high prosperity in industry, interrupted by only two brief dips.

The Price Situation

What is our price situation and outlook today?

If we judge by the most conclusive of all tests, the behavior of prices in free markets, the United States had grown up to its war-expanded supply of money and other liquid assets by the end of 1951. The broad index of wholesale prices has moved mainly, though gently, downward ever since, and the consumer price index has risen only slightly — less than 2% — with that rise largely accounted for by previously delayed advances in such regulated items as rent and public utility rates. This stability in the general level of prices since 1951 occurred in the face of a huge volume of military expenditures superimposed upon record-high public and private outlays for new construction, plant equipment, and consumption. It occurred also despite an addition of $4.4 billion to the total of adjusted demand deposits and currency in 1952, and of half that amount in 1953, as well as additions during these years of $4.4 billion and $4.5 billion, respectively, to the total of adjusted time or savings deposits.

I think it is significant that the intensified credit restraints that were put into effect for precautionary purposes in the forepart of 1953 had to be reversed so quickly. As late as April 9, 1953, a counter-inflationary objective was clearly implied in the Treasury's offering of a 3¼% thirty-year bond. These bonds carried an interest rate higher than the then-prevailing average yield of Moody's Aaa Corporate Bonds — 3.18% — though Treasury obligations commonly command a lower rate. Some allowance may be made for the somewhat shorter average final maturity of the corporate bonds — about 26½ years as against 30 years for the Treasury offering, and for the somewhat shorter average period to first call date — about 18½ years against 25 years. But the announcement of the 3¼% Treasury bond set off a general downward readjustment in high grade bond prices and a corresponding upward readjustment in interest rates. Early in May even the new 3¼s sold at a discount, and the average yield of Moody's Aaa Corporate Bonds rose to 3.44%. It is heartening, and a tribute to the flexibility of the authorities that, when the results appeared excessive, they were quick to reverse their restrictive policies. The new 3¼s closed last Friday (Feb. 12) at 106 22/32, to yield 2.85%.

In the light of the record since 1951, I think it can be reasonably concluded that the abnormal inflationary pressures arising from the war and postwar periods are behind us. It is true that our people now have a greatly enlarged supply of money and other liquid assets. But it is also true that our population is 29 millions greater than in 1939, that our gross annual product in current prices is 3½ times as large, and in constant prices nearly twice as large. If we are to avoid deflation and depression as well as inflation, our monetary and debt management policies must be geared to these new levels and to the strong rate of growth in our population and productivity.

Debt Management

With respect to debt management I think this calls for a policy of moderation and caution in the speed and extent of funding the short-term Federal debt into long-term securities.

Under present conditions a considerable part of the short-term Treasury securities outstanding serves highly important needs that cannot be satisfied nearly as well, if at all, by long-term obligations. These short-term securities are owned mainly by banks, other financial institutions, and business corporations. For the banks they offer a perfect medium for secondary reserves. They have an instant nationwide market and are free from serious price risks. If our commercial banks had possessed comparable amounts of short-term Treasury obligations during the late 1920's and early 1930's, thousands of bank failures would have been avoided; for many of these failures were not due to the poor quality of bank portfolios, but to the fact that banks in areas suffering an adverse regional balance of payments, such as the agricultural areas, could not sell their local loans and securities to other banks in regions that were gaining funds. With ample secondary reserves of short-term Treasury obligations, banks could readily meet such inter-regional drains if they should recur.

I recall how vigorously Governor Benjamin Strong of the Federal Reserve Bank of New York protested during the 1920's, on the basis of the needs of smooth-working banking machinery, against funding too much of the short-term Treasury debt into long-term securities.

To the extent that banks replaced their short-term Treasury holdings with long-term Treasury bonds, they would face sharper price risks. We had a good illustration of these risks in the first five months of 1953, when the average price of long-term 2½% Treasury bonds, the longest maturity of which was less than 20 years, dropped nearly 5½ points. At the end of 1953, the member banks as a whole possessed capital funds equal to only about 7% of their total assets, and about 12.3% of their earning assets, a margin that does not permit such risks for any large proportion of a bank's assets.

Alternatively, the banks could seek additional private debt, such as short and intermediate term business and consumer loans and longer term mortgage loans and other securities. Commercial loans are properly regarded highly by banks. But despite their growth in the postwar period, the volume of commercial loans has not kept pace with the increase of the gross national product. In fact, even total bank loans, including real estate loans and consumer loans, constituted only about one-half the fraction of the gross national product in 1953 that they constituted in 1929. Moreover, the small ratio of their capital funds to their total assets would restrain many banks from adding as much to their risk assets as they lost in short-term Treasury paper.

A large part of the short-term Treasury obligations held by non-bank investors is also employed for purposes that would not be well served by long-term obligations. Business corporations own some $20 billion of them as reserves for accruing tax liabilities and for prospective capital outlays. Non-bank financial corporations hold significant amounts of them as liquid reserves.

We must remind ourselves that since the Banking Act of 1935, the commercial banks have been prohibited from paying interest on demand deposits, with the result, among others, that corporations with large temporary balances have been given a strong incentive to use them directly for short-term investments. If the supply of short-term Treasuries were reduced too sharply, business corporations would be forced either to hold larger bank balances or to seek short-term private obligations; that is, to engage in a quasi-banking business. Some of them already do the latter, buying such obligations as the notes of instalment paper companies, for example.

Further, what would be the source of the funds raised by the Treasury through sales of long-term securities to redeem short-term obligations held by commercial banks and business corporations? Conceivably, as a part of a vigorous counter-inflationary policy, and at sufficiently high interest rates, we could persuade individuals to convert a significant portion of their existing currency and demand deposits into such securities. The funds would go to present holders of short-term Treasuries, who would retain much of them as liquid balances in lieu of their present reserves of short Treasury obligations. Before doing this we would want to be sure that such strong deflationary action was called for.

Individuals already own 50% more in Treasury securities than the entire net Federal debt outstanding at the end of 1939, $21 billion more than the entire amount of net long-term corporate debt outstanding in 1939, and some $17 billion more than the sum of all farm, residential, and commercial mortgage debt and state and local government securities then outstanding. They hold their present amounts of currency and demand deposits in the face of a continuous offer by the Treasury to sell them United States Savings Bonds, redeemable on demand after a short period, and the continuous availability in the open market of Treasury obligations held by banks and others. The presumption is, therefore, that, all things considered, individuals think they need the present volume of their currency and demand deposits.

A Policy of Gradual Short-Term Debt Reduction

Over a period of years, however, the Treasury could doubtless sell them large amounts of long-term securities by absorbing a portion of their savings. These savings could be absorbed by selling the securities to individuals directly, and by selling them to the life insurance companies, savings banks, pension funds, and other intermediaries through which individuals invest much of their savings. And the Treasury could use the funds so obtained gradually to retire short-term obligations held by banks.

It should be noted, however, that the long-term securities sold in this fashion would take the place of much new real investment in private industry and in the mortgage market that these purchases would otherwise be seeking to finance. There might be times when the authorities believed that too much investment money was being made available for public utility, residential, commercial, and industrial construction, and state and local government capital outlays. At such times the authorities might reasonably wish to absorb some of these funds by selling long-term Treasury securities; but at other times they might well prefer to move only slowly and moderately in this direction.

In sum, under existing conditions, short-term Treasury securities are, in a larger sense, a part of the effective money supply of the country. If the amount of them were very substantially reduced by being funded into long-term obligations, the demand for cash itself would be increased. If this demand were not met by an expansion of bank credit in excess of the amount required for other reasons, the effect would be deflationary; and, over a period, it would mean the absorption of savings that would otherwise be available for new real investment. If, on the other hand, the Federal Reserve authorities succeeded in providing a substitute expansion of bank credit in excess of the amounts that would be otherwise required, we would be substituting, in substance, additional cash balances in the hands of the public, together with long-term Treasury obligations, for present holdings of short-term Treasury obligations—a result that is not usually contemplated by those who favor a rapid large-scale funding of the public debt.

These considerations, I think dictate caution, moderation, and careful timing in the funding of the present short-term debt.

Although I have tried to state forcefully some of the dangers of hasty and immoderate funding of the short-term public debt, I by no means intend to imply that the Treasury should make no increases in its medium and moderately long-term obligations. There is at nearly all times a large, though varying, demand for Treasury securities in a wide range of intermediate maturities such as the 7¾-year bond issue recently announced. For many investors these serve some of the purposes of shorter term paper and are often preferred because their yields are commonly higher. Further, there are recurring periods when longer Treasury securities in moderate amounts are welcomed by the market, sometimes because institutions want to upgrade the average quality of their long-term portfolios, sometimes because attractive long-term private investments are not forthcoming in adequate amounts. My remarks have been directed principally against the view that it would be a fine thing if most of our public debt could be funded in a short time into something like 30- or even 50-year maturities.

Objections to Very Long-Term Maturities

I might add that very long maturities seem objectionable to me because they are subject to wide fluctuations in market price in response to moderate changes in interest rates. I think it sounder for the country if the Treasury is paying at all times a rate of interest not far from the going market rate for each maturity, rather than a rate fixed for a long time to come by the special conditions of a particular year or two.

The President's recommendations that bear most directly upon monetary policy are those concerned with governmental aids to housing. I am heartily in favor of the tenor of these proposals. I particularly favor broadening the area of flexible determination of maximum loan-value ratios, terms to maturity, and interest rates on FHA-insured and VA-guaranteed loans. One of the important limitations of ordinary central banking action alone has been its greater power to restrict the volume of credit in good times than to promote an increased use of credit in bad times. Would-be borrowers can readily be choked off by restrictive credit policy in good times, but ordinary central banking actions to ease credit do not automatically revive them or spawn new ones in bad times.

In the area of housing, in particular, down-payment terms, maximum loan-value ratios and maturities are as important as interest rates in influencing the volume of demand for credit; and appropriate administrative changes up or down in these requirements for FHA insurance and VA guaranty of mortgages may greatly speed responses on the part of both lenders and borrowers to changes in Federal Reserve credit policy.

Finally, while it is reassuring that the government has shown itself alert to the possibilities and problems of business recession, it is also important that the authorities set their sights high enough in prosperous times. With our growing population and output, we shall need a continuing growth in our supply of money and other liquid assets.

* Statement by Professor Seltzer before the Joint Congressional Committee on the Economic Report, Washington, D. C., Feb. 16, 1954.

With Quail & Co.

(Special to THE FINANCIAL CHRONICLE)

ALTON, Ill.—William J. Fischer has become associated with Quail & Co. of Davenport, Iowa. He was formerly Manager of the Buying Department, in the Alton office, of the Municipal Bond Corp. of Chicago.

The Eisenhower Tax Proposals

By J. FRED WESTON*
Associate Professor of Finance
University of California, Los Angeles

Prof. Weston describes the Eisenhower tax program, and discusses the proposed technical revisions to benefit consumers and taxpaying corporations. Finds difficulties under the program to increase economic stability, while, at the same time, attempting to achieve a balanced budget. Holds if the goal of a balanced budget is to achieve full employment, government spending as well as taxes must increase greatly. And therefore, under the circumstances, full employment can best be achieved by a deliberate deficit policy. Claims Eisenhower tax program is not inadequate to deal with any possible sharp business slowdown, while it contains constructive improvements in tax system.

The evaluation of a tax program raises three basic questions. First, is the aggregate budget effect appropriate in the light of prospective economic developments? Second, is the structure of the tax system desirable in view of long-run objectives for the economy? Third, does the tax structure accord with generally accepted standards of equity? The Eisenhower tax program may be separated into three parts with respect to the timing of changes and into four parts with respect to the major types of taxes. The first part of the program went into effect in January, 1954. Although the changes had been scheduled by the previous Administration, the act of accepting them represented a policy decision. The largest change, measured by its revenue effect, was a decrease of roughly 10% in personal income tax rates, estimated to involve a revenue loss of $3 billion per year. Elimination of the Excess Profits Tax resulted in a revenue loss of $1.7 billion per year. The combined rate of social security taxes was raised from 3% to 4%, a revenue increase of $1.3 billion per year. The changes of January, 1954, therefore, resulted in a net reduction of roughly $3.5 billion.

Dr. J. Fred Weston

The second phase of the tax program in respect to time includes changes scheduled for April, 1954. One of these would cut the normal tax rate on corporations from 30% to 25%, reducing the total corporate tax rate from 52% to 47% and involving an estimated revenue loss of $1.3 billion. The other change would reduce excise taxes. Most important, in terms of their impact on revenue, were reductions in the tax on distilled spirits, from $10.50 to $9.00 a gallon; on malt liquor, from $9.00 to $8.00 a barrel; on cigarettes, from 8 cents to 7 cents a pack; on gasoline, from 2 cents to 1½ cents a gallon; on manufacturers' price of automobiles, from 10% to 7%. These reductions would mean a combined revenue loss of $1 billion.

The third phase of the Eisenhower tax program involves changes scheduled for the future. Representing some 25 technical tax revisions, these changes may be briefly summarized in three main categories: (1) those affecting consumers; (2) those affecting corporations; and (3) those labeled by the President's Economic Report as increasing economic stability. (It may be argued that the first two also meet this criterion.)

*An address by Dr. Weston to the Economics Section of Town Hall, Los Angeles, March 4, 1954.

I

Technical Revisions to Benefit Consumers

The tax proposals to benefit consumers are as follows:

(A) **Heads of Families.** Widows and widowers with dependent children would be permitted to split their income for tax purposes, just as married couples now do. The same tax treatment would be allowed for single people supporting dependent parents even if the parents lived in separate residences from their children.

(B) **Child Care.** Widows or widowers working outside the home would be permitted to deduct up to $300 a year of the actual expenses incurred for the care of children up to the age of seven. The estimated cost to the Treasury would be $40 million.

(C) **Dependent Children.** A parent would be permitted to claim as a dependent a child under 18 earning more than $600 a year. The parent would have to provide more than half the child's support, and the child would have to pay tax on earnings above $600. Foster children and children in the process of adoption would also be classed as dependents for tax purposes. The estimated cost to the Treasury would be $75 million.

(D) **Medical Expenses.** Taxpayers itemizing their deductions would be permitted to deduct medical expenses in excess of 3% of income instead of 5% as at present. The present maximum tax allowance of $1,250 for deductible medical expenses of an individual would be doubled to $2,500. To avoid abuses, it was recommended that the definition of allowable medical deductions be tightened to exclude both ordinary household supplies and certain indirect travel expenses. Revenue loss to the Treasury would be $65 million.

II

Technical Tax Revisions to Benefit Corporations

(A) **Loss Carry-Back.** At present, losses may be carried back one year to offset prior earnings and may be carried forward five years to reduce taxes on later earnings. It is recommended that the carry-back be extended to two years to benefit established companies suffering financial hardship. Cost to the Treasury would be $100 million.

(B) **Depreciation.** It is said that present depreciation deductions are often below actual depreciation, especially in early years. This is believed to discourage early replacement of old equipment, long-range production expansion, and other investment, and to make it difficult for companies, especially small ones, to obtain financing for capital investment. The proposed change would permit the use of a declining-balance method at rates which are double those of the straight-line method. This would write off each year twice the straight-line percentage, applied not to the original cost, but to the unamortized balance. It would mean larger depreciation write-offs in the earlier years. Other methods permitting larger depreciation charges in the early years would also be accepted provided they would not produce deductions greater than those under the declining-balance method. The new depreciation policy would apply to all investments made after Jan. 1, 1954. Cost to the Treasury is estimated at $375 million per year.

(C) **Double Taxation.** This proposal would exclude from taxable income the first $50 of dividends received in 1954 and the first $100 received in 1955 and later years. In addition, it would give a tax credit of 5% of dividends received, minus the exclusion, during the 12 months starting April 1, 1954, a credit of 10% of dividends received during the next 12 months, and a 15% credit on all dividends, minus the exclusion, received after Aug. 1, 1956. These changes, it is claimed, would promote investment in business firms which in turn would mean business expansion and more production and jobs. There are no official estimates of the cost of this item.

(D) **Consolidated Returns.** The elimination over a three-year period of the penalty taxes on consolidated returns and intercorporate dividends is proposed. The President also recommends tightening of the law to remove abuses arising from the use of multiple corporations by a single enterprise. At present such enterprises frequently set up several different but commonly controlled corporations in order to obtain exemptions from the corporate surtax rate.

(E) **Foreign Income.** Business income from foreign subsidiaries or from segregated foreign branches which operate and elect to be taxed as subsidiaries would be taxed at a rate 14% below the regular corporate rate.

(F) **Corporate Reorganizations.** The President urged in his Budget Message that the tax law applicable to reorganizations and recapitalizations be simplified and made more concise. Noting that owners of small firms frequently find it necessary to secure new capital or to rearrange their interests in a corporation in anticipation of estate taxes, he recommended that tax laws permit tax-free rearrangements of stockholders' interests in corporations so long as no corporate earnings are withdrawn. Such changes, he said, would remove some of the tax pressures which force the sale of independent companies to larger corporations. The President further proposed, however, that the law be tightened to prevent the withdrawal of corporate earnings through the issuance and redemption of corporate securities, and the purchase of corporations for the purpose of acquiring their rights to loss carry-overs.

(G) **Accumulation of Earnings.** A company which retains more earnings than the government deems reasonable is subject to a penalty tax. The President stated that this tax, though necessary to prevent stockholders' avoidance of individual income taxes, discourages the growth of small companies whose expansion depends on retained earnings. He, therefore, recommended that the government assume the burden of proving that an accumulation is unreasonable. At present the burden of proof is on the taxpayer.

(H) **Research and Development Expenditures.** Under present laws, companies are frequently unable to treat unusual research and development outlays as currently deductible business expenses. This rule is especially burdensome to small businesses, since large firms with established research laboratories can usually make immediate deductions. In the interest of fostering rapid technological progress, all companies should be allowed current deduction of research and development expenses.

III

Increasing Economic Stability

(A) Additional steps looking toward a current basis of payment of corporate income tax should be taken.

(B) The refund of overpayments should be speeded to improve the economic impact of the individual's income tax position during the business downturn.

Technical revisions would reduce personal income taxes by $0.8 billion, and corporate income taxes by $0.7 billion. To offset this revenue loss of $1½ billion, postponement of the scheduled reductions in the corporate income tax and in excise taxes was proposed. This postponement would retain revenues of $2.3 billion.

However, current reports indicate that the Treasury is now willing to yield to the great pressure for immediate excise reductions, though with some changes in the plan originally scheduled for April 1. The present plan would reduce to 10% all excises now above that rate, except those on liquor, tobacco, and gasoline. There would be no relief in the tax on automobiles, which is presently at 10%. A $1 billion revenue loss would result from cutting the excise levies on such items as telephone bills, telegrams, rail

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Fiscal Policy Important In Anti-Depression Policy

By ALVIN H. HANSEN*

Professor of Political Economy, Harvard University

Stressing the size of the 1955 Federal Budget as a curb against a cumulative spiralling collapse, Dr. Hansen holds expansion of last four years was a solid growth with a strong and sound economy. Sees little aid to avoiding a depression by means of tax-relief or accelerated depreciation, but emphasizes use of public works. Urges more private consumption, and belittles fears of inflation or burden of a rising public debt.

Let me first say that I am happy to note that the Economic Report presents an excellent statement of anti-depression policy. More specifically, the importance of the role of fiscal policy is stressed and I welcome this note.

Alvin H. Hansen

Much of the Report deals with well-known methods and devices designed to mitigate economic fluctuations, including the very important automatic stabilizers which have, during the past 20 years, been built into the economy. And I was particularly pleased to find that the Report does not rest its case on the automatic stabilizers alone.

The Report devotes a good deal of attention to the problem of preventing a spiralling depression in 1954. Forecasting, as the Report itself says, is very hazardous, and I am not going to make any forecast for 1954. I am prepared to accept as plausible the widely held opinion that 1954 *may* see a moderate drop in GNP of around 5%; i.e., decline from $367 billion to about $350 billion. Budget expenditures in fiscal 1954 will run, it is estimated, at $71 billion. With this massive rock bottom expenditure—unaffected by cyclical factors—it is, I think, plausible to hope that a cumulative spiralling collapse of serious proportions is unlikely.

Effect of Budget Cuts in 1955

This, then, we may agree, is not our main problem, at least for 1954. The first really sharp cut in Federal expenditures will come in 1955. Our attention needs, therefore, to be given to the really serious problem which confronts us — that of maintaining the growth, expansion and momentum of the last four years.

In the four years 1950, 1951, 1952 and 1953, we lifted the level of output of goods and services by $73 billion, calculated in terms of constant (1953) dollars. This was a spectacular achievement for which it would be difficult to find a parallel. It was achieved, as everyone knows, under the powerful stimulus of massive fiscal operations of the government. Yet the public debt rose in this four year interval by only $18 billion. The disposable income of individuals (i.e., income *after* taxes) increased by $36 billion, in terms of constant dollars. The liquid accumulated savings of individuals increased by $41 billion. In this interval we added 4,716,000 new units to our stock of urban houses, employment rose by 3,200,000, and the aggregate investment in new producers' plant and equipment reached the massive total of $140,000,000,000. Over and above the rapidly expanding military production, the output of civilian peacetime goods reached unprecedented levels.

Now the real problem that confronts us, I repeat, is this: Can we, as we move farther into a peacetime economy, maintain this growth, this expansion and momentum, or are we going to move at first on a flat plateau with the danger that this levelling out process will eventually some years hence engender a spiralling depression? Stated in another way, the problem is: Can we keep the economy moving forward at "maximum employment, production and purchasing power?"

These are the words of the Employment Act of 1946, and I want to underline them: "maximum employment, production and purchasing power." Indeed the Act specifically says that the Economic Report shall set forth the levels of employment, production and purchasing power needed to carry out the policy of the Act as declared in Sec. 2 — the section which contains among other things the goal referred to above. These levels or targets are, however, as far as I can discover, nowhere set out in this Report.

Economic Structure Is in Balance

I want to stress that the expansion of the last four years was a solid growth which left the economy strong, in sound financial condition, and in good balance. There is abundant evidence in the Economic Report itself that this is the case. We entered the year 1954 as free from distortions and maladjustments, apart from the usual inventory fluctuations, as any time in our history. No purging process of readjustment is now necessary. The price structure is in reasonably good balance. There has been no stock market inflation, no excessive expansion of bank credit, and no serious inter-industry maladjustments. Wholesale prices have been stable or moderately falling for three years. The panic buying price spurt induced by the shock of the Korean crisis in June, 1950, had already subsided by February, 1951. Wholesale prices stood in December, 1953, 4.1% below the average for 1951, while consumer prices stood 3.5% above the 1951 level. Wholesale prices were slightly down; consumer prices (due largely to delayed rent increases) were slightly up. Together they represent a high degree of price stability. It would, I believe, be very difficult to find any period in our history with so high a degree of price stability combined with so large a growth in output as the three years 1951, 1952 and 1953. Consider, for example, the quite peaceful years before the First World War. In the 15-year period before World War I, the annual increase in wholesale prices was 3%. Compare this with the 1% increase per annum from 1948 to 1954, a period be it noted which includes the Korean price spurt. Wholesale prices, I repeat, have risen during the last six years only one-third as much per annum as they did in the 15 peaceful years prior to World War I.

And let it also be noted, and indeed underscored, that unemployment in the last three years—years of high price stability—averaged only 2.7%. Most economists had formerly believed that it was not possible to achieve price stability with so low a level of unemployment. Toward the end of the period, agricultural surpluses were indeed developing, and there were the customary swings in inventory accumulations. But apart from these (and can anyone point to a time when there was an absolutely perfect balance?) I have seen no convincing evidence, including the data presented in the Economic Report, which would indicate any serious maladjustments in the economy as a whole — maladjustments which called for even the mild process of so-called rolling adjustment. On this point, it is heartening to note that the Economic Report itself firmly repudiates "the once fashionable theory that a sharp liquidation was good for the economy" (p. 20). At the end of this remarkable period of growth and expansion, the economy, as the Report reveals again and again, was strong and healthy; and in about as perfect balance as one could ever hope to reach in a constantly changing world.

Can We Still Move Up?

Is there then any good reason why we should not move on up to our full potential in 1954, 1955 and 1956 as we did in 1950, 1951, 1952 and 1953? The Congress has in fact set the goal at maximum employment, production and purchasing power in the Employment Act. Past experience, based on growth in per worker productivity and in the labor force, suggests an annual increase of not less than 3½% per annum in the total output of goods and services. In the four years, 1950, 1951, 1952 and 1953, the Gross National Product in constant value dollars increased by an average of over $18 billion per year. This was no doubt an exceptional performance, partly due to squeezing out of some slack in the economy. It was in fact in excess of the well-known 3½% long run trend.

Let us assume the moderate figure—a 3½% growth each year starting from $367 billion GNP of 1953. This would give us a GNP at 1953 prices of $380 billion in 1954, $407 billion in 1956, $436 billion in 1958 and $467 billion in 1960. These are, I submit, minimum targets if we are to take seriously the policy declaration with respect to "maximum employment, production and purchasing power" contained in Section 2 of the Employment Act. Indeed, there are not a few economists who, impressed by the massive technological research now going on both inside and outside the government, believe that prospective increases in per worker productivity justify the use of 4% as the rate of growth. On this basis our GNP at constant prices should reach the figure of $500 billion in 1960. I have, however, deliberately chosen to use the more moderate figure of 3½%—a figure which cannot, I believe, be challenged by anyone.

Now I am not naive enough to think that it will be an easy matter to reach this goal, and certainly not each year. But if we fall short one year, due say to inventory readjustment, for example, we should aim to recover our full potential in the next. We shall not reach the full employment goal of $380 billion for this year, but we could make a substantial recovery and move on to our full potential in 1955.

A 5% drop this year would give us a GNP of $350 billion or $30 billion below our potential. Now if we complacently accept that as pretty good, by the same token, a GNP of $365 billion could be regarded as a good comeback for 1955. But this is again about $30 billion below the 1955 potential. These figures are not forecasts and

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*A statement by Dr. Hansen before the Joint Committee on the Economic Report, Washington, D. C., Feb. 18, 1954.

From Washington Ahead of the News

By CARLISLE BARGERON

The Republican Administration has certainly permitted itself to get into an awful mess on the so-called McCarthy issue. To Vice-President Nixon has been assigned the job of answering Adlai Stevenson. Stevenson has charged that President Eisenhower has embraced "McCarthyism." What is Nixon to say? No, the President hasn't done any such thing.

Carlisle Bargeron

It follows that to answer in this vein, Nixon must repudiate the Wisconsin Senator; he must say, in effect, that the President doesn't like him or the things for which he stands. You can say you don't like McCarthy but when you repudiate those things for which he stands in the eyes of millions of Americans, you have bitten off a mouthful, and you can rest assured of that.

At last the Leftists have got the Administration just where they want it. It is damned if it does and damned if it doesn't. If McCarthy is repudiated the division in the Republican party will be widened. There are millions of Republicans who may be very well disgusted with McCarthy but who, at the same time, will be more disgusted with the Administration for surrendering to the groups that are after him. Make no mistake about it, those elements of our population who have been screaming bloody murder at the very mention of McCarthy's name aren't any more sensitive to the decencies than the rest of us. This goes particularly for the newspapers that are the most bloodthirsty of all. Indeed, they have made McCarthy the seemingly impossible bully he has come to be. But their real complaint is not his "unfair" methods; their real complaint is that he is pursuing the job at all.

The Jenner Committee has been conducting its similar work in a very dignified manner. Yet the McCarthy critics jeer and ridicule it on every possible occasion.

However, if the Administration doesn't repudiate McCarthy, then the spleen which the Leftists have been leveling at it will become intensified. It is the hope and desire of the Administration to hold the support of some of these Leftists—"liberals" is the term it prefers to apply—that has caused it to get into its present mess. It is likely to lose far more than it gains in trying to get out.

That Mr. Eisenhower should have been dragged into this mud; that there should have been the determination to drag him into it in the first place, and that he should have permitted himself to be dragged into it, in the second place, is one of the most amazing, and frankly, disgusting episodes I have witnessed in my long experience iln Washington.

It is far beneath the dignity of his office. He should have cast a withering eye at his very first interrogator on the subject and made it known in no uncertain terms that he considered the question insulting. He could have made it very plain that he considered the hullabaloo about "McCarthyism," and for that matter, the conduct of McCarthy the man, as calling for no comment from him as President of the United States. And I still think he would have been on sounder ground, if feeling it incumbent to say something, he would have expressed his disgust with those who have built up McCarthy to be an emotional issue not only in this country but in Europe as well. All the excitement is the work of devilish minds; McCarthy, himself, is amazed that it could have ever happened. But the President was ever mindful of the "liberal" vote, or so were his advisers.

A squelching of McCarthy will not bring it to an end, either. His is not the only scalp that is wanted. The Leftists would like to silence the entire conservative wing of the Republican party; American Fascists, the Leftists call them. And the fact that they use this term against the most substantial part of our country is evidence that they are just as ruthless as McCarthy is pictured to be.

As a matter of fact they have just added a victim to their string, by the same falsehood technique which they charge McCarthy with using. For months they kept up a running fight against "Scotty" McLeod, the State Department's Security Officer. McLeod was a former FBI agent who landed a few years ago on the staff of Senator Styles Bridges. It was from Bridges' staff that Under-Secretary of State Lourie enticed him to take over the security job at State. Bridges didn't want to let him go. Lourie had known McLeod out in Iowa.

But from the very day McLeod rolled up his sleeves to go to work, the Leftists set out after him charging he was a McCarthy "stooge." This charge was repeated a hundred times to this writer's knowledge by even reputable journalists. McCarthy had not the slightest thing in the world to do with McLeod's appointment. McLeod knew McCarthy, of course, by virtue of having worked at the Capitol but he had no unusual contact with him.

However, coincident with Lourie's recent resignation, half of McLeod's authority, supervision of personnel, was taken from him, to the high glee of the Leftists.

Joins Vance Securities

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—Charles R. Vance, Jr., has been added to the staff of Vance Securities Corporation, Jefferson Building.

Joins First Boston

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Andrew K. Leh is now with The First Boston Corporation, 405 Montgomery Street.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Leo Tseng has become connected with Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

California Investors Add

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Douglas F. Roberts has been added to the staff of California Investors, 3924 Wilshire Boulevard.

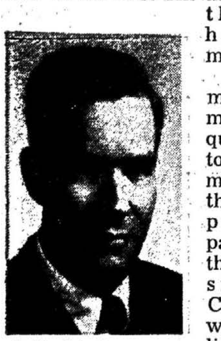
SEC Rules and Form Revisions Under the New Administration

By J. SINCLAIR ARMSTRONG*

Commissioner, Securities and Exchange Commission

Commissioner Armstrong, maintaining that the Securities and Exchange Commission is still dedicated to carrying out its statutory objections, recounts the recent actions taken in the area of rule and form revision. Holds these revisions aim to ease burden of registration and reporting to the Commission, and expresses how a further impetus and incentive will thus be given for reasonably detailed reports to shareholders. Says changes in the aggregate will simplify work involved in complying with SEC requirements. Discusses the revised proxy rules and defends majority rule in electing corporation directors

First let me paint with a broad stroke a few general word pictures of the Commission at the end of its first six months under the Eisenhower Administration.



J. Sinclair Armstrong

The five-member Commission is required by law to have no more than three of one political party. Now is the first time since the Commission was established in 1934 that there have been three Republican members. However, one of the three new members appointed by President Eisenhower is a Democrat and the five Commissioners, the new and the old, have been working together harmoniously toward common objectives.

The 1948 report of the Hoover Commission's Task Force found that the Commision "on the whole has been notably well administered," that the critics of the Commission "concede that its staff is able and conscientious, and that the Commission generally conducts its work with dispatch and expedition where speed is most essential." It also said: "There are of course some weaknesses . . . but in evaluating them, one should keep in mind the basic fact that the Commission is an outstanding example of the independent commission at its best." I can assure you that my personal observation of the Commission, as presently constituted, and the vast majority of the Commission staff bears out this reputation for high professional service by men dedicated to the public interest.

When we went to work last summer, we inaugurated a broad program of study of the rules, regulations and forms which have grown up at the Commission over a period of 20 years. Our objective was to simplify, streamline and speed up the administration of the statutes committed to our charge. We believe that the basic investor protections afforded the American public by these laws could be strengthened and enhanced by a realistic, practical and vigorous administration. We feel that these objectives can be accomplished within the framework of a budget for our agency considerably reduced from budgets of prior years and are consistent with the policy of this Administration (as expressed in the President's Budget Message of Jan. 21, 1954) "to improve the management of Government activities and to find better and less expensive ways of doing the things which must be done by the Federal Government."

Also, all of us at the Commission are aware of the importance of a proper administration of the securities laws to the free flow of investment capital, and particularly the free flow of equity capital, into American industry. You will recall that in his letter of March 29, 1933, transmitting the original recommendation of securities legislation to the Congress, President Roosevelt stated that "The purpose of the legislation I suggest is to protect the public with the least possible interference to honest business"; and, in his recent Economic Report, released on Jan. 28 of this year, President Eisenhower recognized that "It would be desirable to simplify the rules and thus reduce the costs of registration of new issues and their subsequent distribution."

I want to emphasize at the outset the dedication of the present Commission to the philosophy of the laws we administer. The public interest, the protection of investors and, under the Holding Company Act, the protection of consumers, are our statutory objectives. Theodore Roosevelt said "Walk softy but carry a big stick," so I hesitate to emphasize the point further by speaking, but I do want to leave in your minds the impression that this Commission is engaged in a vigorous enforcement of the Federal securities laws.

Some Things That Have Been Done

Now let me turn to some of the things we have done or are in the process of doing in the area of rule and form revision.

We have eliminated the requirement for filing of quarterly reports of gross sales and operating revenue. Because of short-term and seasonal business changes and the frequent occurrence of a net earnings trend contrary to the gross trend in a company, these 9-K reports were abolished.[1]

We have adopted rules under the Securities Act, and complementary rules under the Holding Company Act, which will eliminate the delay in offering of securities to be offered at competitive bidding and will dispense with the necessity of obtaining routine supplemental orders previously required. Under these rules, the post-effective amendment to the registration statement will become effective automatically on filing in one of our regional or branch offices and no supplementary order under Rule U-50 is required if two or more bids have been made for the securities.[2]

We have simplified the so-called "when-issued" trading rules which will eliminate 14 rules and two forms.[3]

We are considering revision of the numerous forms used by officers, directors and others for reporting the ownership or changes in ownership of securities of companies subject to the Securities Exchange Act, the Holding Company Act and the Investment Company Act, so that the seven forms now used for these purposes may be simplified and consolidated into two or three forms. We are reviewing the reporting rules under Section 16 of the Securities Exchange Act relating to short swing trading by directors, officers and 10% shareholders. We think the present rules and forms are needlessly complicated. To meet a particularly pressing problem which may not have been comprehended within Section 16(b) of the Act, we have released for comment a proposed revision of Rule X-16B-6 which would exempt certain dispositions pursuant to mergers or consolidations or reclassifications of securities, or to transfers of assets from one corporation to another in consideration for the issuance of securities.[4]

We are studying the form for registration of employee stock offerings with a view to expanding its use. The present Form S-8 provides wide latitude for the use of the issuer's annual report to security holders and other published material readily available. We are studying the possibilities of amending the rules for the use of the form to permit its use by a larger number and more varied types of employee stock offerings, and revising the form itself so as to make it available for offerings under employee stock option plans.

We also have under consideration a simple form which would be available for registration of offerings of institutional grade debt securities. It is hoped that such a form will make possible faster, simpler and less expensive registrations of such debt issues, on a basis more nearly competitive with private placements. We contemplate using our acceleration power under Section 8(a) of the Securities Act to permit such issues to be registered more quickly than at present.

The revisions I have just discussed in some detail are those I think you may be most interested in as secretaries of corporations registered under the Securities Exchange Act, but just let me list a few others:

We have adopted new forms for registration under the Investment Company Act of management investment companies, and for registration under the Securities Act of securities of open end investment companies, and related rules.[5] We have put out for comment a proposed rule which would prescribe standards under which Canadian investment companies may register as investment companies and offer their securities for sale in the United States.[6] We have adopted a new rule requiring brokers and dealers to file financial statements with their applications for registration,[7] a new 9-item form for registration of securities brokers and dealers instead of the former 27-item form,[8] and simplified forms and reports of brokers and dealers associations to eliminate voluminous exhibits containing information otherwise readily available.[9]

We have adopted a rule relieving exchanges on which a security is admitted to unlisted trading privileges from reporting information which duplicates information reported by the issuer where the security is fully listed on another exchange.[10]

We have put out for comment a proposed rule to exempt from competitive bidding issues of state regulated utility subsidiaries of holding companies, where the issuance of such securities is entitled to exemption from the Public Utility Holding Company Act of 1935,[11] and also a proposed simplified rule, designed to supplant the present complex rule, relating to permitted financial connections of officers and directors of companies in holding company systems.[12] A revised annual reporting form for service companies in holding company systems has been adopted.[13]

So much for the general program.

Reporting Problems

The new revision of Regulation X-14, the proxy rules, was promulgated on Jan. 6, and the concurrent revisions of Forms 10-K, 8-K, the annual and current reports, and the rules pertaining to Form 8-A, the form for registration of additional amounts of listed securities, were promulgated on Jan. 28, 1954.

The Commission has surveyed in a single broad sweep the overall reporting problems presented by Sections 12, 13, 14 and 15(d) of the Securities Exchange Act of 1934 and attempted to deal with these problems as a unified whole. Section 12 provides for rules governing applications for registration of securities on national securities exchanges, that is, "listing applications"; Section 13 provides for current reports of companies whose securities are listed; Section 14 provides for rules relating to the solicitation of proxies, and Section 15(d) provides for reporting requirements for companies which have registered securities under the Securities Act of 1933 but are not otherwise subject to Commission requirements. These last are the so-called "undertaking companies" because of the undertaking agreement to file current reports contained in their 1933 Act registration statements.

In the past, these sections of the statute have led to the adoption of separate and perhaps seemingly unrelated rules and forms. Piecemeal revision created a number of problems, not only for the Commission but also for industry in responding to the Commission's requirements.

Companies which filed both annual reports on Form 10-K and proxy statements had to provide

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* An address by Commissioner Armstrong before a meeting of the New York Chapter of the American Society of Corporate Secretaries, New York City, February 18, 1954.

1 Securities Exchange Act Release No. 4949.

2 Securities Act Release No. 3494; Holding Company Act Release No. 12298.

3 Securities Exchange Act Release No. 4989.

4 Securities Exchange Act Release No. 4998.

5 Investment Company Act Releases Nos. 1932 and 1933.

6 Investment Company Act Release No. 1945.

7 Securities Exchange Act Release No. 4902.

8 Securities Exchange Act Release No. 5000.

9 Securities Exchange Act Release No. 4942.

10 Securities Exchange Act Release No. 4914.

11 Holding Company Act Releases Nos. 12217-X, 12314 and 12236.

12 Holding Company Act Release No. 12242-X.

13 Holding Company Act Release No. 12287.

Interim Mortgage Financing by Commercial Banks

By WILLIAM E. HOWARD*
Vice-President,
The Mellon National Bank & Trust Co., Pittsburgh, Pa.

Mr. Howard discusses role of Commercial banks during the period between the purchase of a mortgage by a mortgage banker and its sale to the ultimate investor. Describes a method of expediting and simplifying this interim financing of mortgage loans. Foresees some reduction in the demand for mortgage money in 1954, but indicates supply of funds for that purpose is not likely to decline. Holds Treasury will restrict its long-term financing to such amounts as will not encroach on available money supply for mortgages to an undesirable extent.

The differences that exist between commercial banks and mortgage bankers are only differences of degree — not purpose — for our fundamental objectives are the same: to help satisfy the credit requirements of the public. And the fact that mortgage bankers deal in relatively long-term credit, while commercial banks deal primarily in short-term credit, only emphasizes the point that our lending services complement each other and that commercial banks are in a position to help mortgage bankers during the short-term period between the latter's purchase of a mortgage and its sale to the ultimate investor.

William E. Howard

During this period, your problems, as mortgage bankers, are similar to those of most manufacturers, who must maintain an even flow of products to their customers, even though they do not have enough capital to cover the cost of creating their product without some type of financial assistance. Your customers, like those of a manufacturing company, have an equal right to demand an even flow of your product; and this is over and above the fact that you need to carry your mortgages during the time that they are being inspected and approved for final purchase. So, like most manufacturers, you must seek some sort of interim financing.

Financing the Mortgage Banker

Now, since short-term financing such as this is desirable to our bank and many others, your interests and ours definitely coincide. In general, your loans are well secured, and you can offer substantial compensating balances through the escrow deposits that you control. The only question is to find the method of financing that best meets your needs.

The first thought, of course, is to extend you credit on an unsecured basis—that is, credit determined by your general reputation and the net worth of your firm. Of all forms of credit, this is perhaps the easiest and simplest for both the borrower and the lender; but, unfortunately, in your case, it is not very practical, because of the unusual nature of your business. In comparison with other types of business, your dollar volume runs large in relation to your net worth; and therefore the credit that can be extended to you on an unsecured basis is not great enough to cover your needs. So naturally, we, as commercial bankers, have explored other ways of helping you.

Of course, we can regard the mortgages you hold as just so much inventory, making a typical "warehouse" loan against their value. And, as a practical matter, we do exactly this, when you do not have purchase commitments for your mortgages. This type of loan, however, has one disadvantage: in accord with sound banking practice, we cannot lend you the full value of your mortgages but must provide for a decline in market price. This simply means that a part of your own funds must be used in the purchase of every mortgage, with the consequence that your ability to acquire mortgages is definitely limited by your capital.

But if your mortgages are already committed to a responsible purchaser, the whole picture changes. Customarily, several methods are followed. For example, the loan can then be closed in the name of the mortgage banker, he—in turn—giving an unrecorded assignment to the bank. This method, I might add, is not always satisfactory to the legal counsels of many banks. Or we can use the nominee method, assigning the mortgage to the nominee and then re-assigning it to the ultimate purchaser. Or the mortgage can be immediately assigned to the ultimate purchaser and yet still be eligible as collateral, if the ultimate purchaser agrees to re-assign the loan in the event he does not purchase it.

None of these methods, however, seem entirely satisfactory to us. They are all clumsy and expensive to operate, because the mortgage banker must send the mortgages and all accompanying papers to the bank to be held as collateral. Then later they have to be released against receipt and forwarded on to the ultimate purchaser. So we, with a number of other banks, explored the problem further with the thought of trying to eliminate some of these steps and to simplify the operation. And we decided: if we consider collateral loans on uncommitted mortgages as being the same as "warehouse" loans or loans on inventory, why can't we consider loans on committed mortgages assigned to the ultimate purchaser as loans on accounts receivable? And then set up some simple way of handling them.

The New Procedure

The procedure that we have established is not very difficult to follow. First, we select a reliable employee of the mortgage banker and designate him as our agent, paying him a salary for his services. (A dollar amount equivalent to this salary is billed to the mortgage banker as a monthly service fee.) By actually placing the agent on our payroll as a temporary employee, he is automatically covered by our surety bond.

Each time a mortgage is closed, this agent is given possession of the portfolio. This portfolio includes a certified copy of the recorded mortgage, the original note or bond, a copy of the recorded assignment to the permanent investor, a report of the title search, a policy of fire insurance with mortgagee clause in favor of the investor, and a commitment for the purchase of the loan. He places this material in a separate filing cabinet, which he maintains for us in the mortgage banker's office. This cabinet should be under separate lock and key and should be of sufficient quality to be entirely fire-resistant. The file should be marked to indicate the contents are the property of the loaning bank. When the agent receives the mortgage portfolio, he also receives a collateral demand note signed by the mortgage banker. This he initials to indicate that all the papers are in order and sends it to the commercial bank, which credits the proceeds of the note to the mortgage banker's account.

What could be simpler? The transmittal of papers back and forth between the commercial bank and the mortgage banker has been reduced to a minimum, and the need for numerous assignments has been eliminated. Instead, we have an easy, workable method to supply the mortgage banker with the short-term credit that he needs, and still save expense for him and for the commercial bank. All of the above arrangements and understandings are included in a separate agreement covering all such loans.

You will notice that we have not required an assignment of the mortgage to the bank. This is not necessary, because we have made a blanket agreement with the ultimate purchaser that he will re-assign and deliver to the bank any non-conforming mortgage that he does not buy when it is submitted to him.

Payments made on a mortgage that is pledged with our bank as security under this Agency Plan are handled much as usual. All payments are collected by the mortgage banker. The interest portion is retained by him and the escrow funds are deposited in an appropriate trust account. Payments of principal are deposited with the bank in a cash collateral account, withdrawals from which can only be made by the bank's agent. All checks drawn against this account must be made payable to the bank, and the funds in the account can only be used — in conjunction with the proceeds from the sale of the mortgage — to pay off the notes.

Agent's Continuing Job

The job of the agent does not end at this point, however, because he plays an important part in the delivery of the mortgage to the final investor. Continuing to act in our behalf, he ships all the papers to the investor along with instructions to make the check payable to the mortgage banker and to the commercial bank. When the check is returned, the agent prepares a recap sheet, listing the proceeds received from the final sale as well as all the payments of principal deposited in the collateral account. This recap, together with the purchaser's check and a check drawn on the collateral account, are delivered to the bank and the notes are paid off. Any excess funds are, of course, returned to the mortgage banker.

This, in brief, is the method that we—and several other banks — have developed for handling the credit requirements of those mortgage bankers that have obtained prior commitments for the purchase of their mortgages.

Now, what has happened as a result of this procedure? Many cumbersome steps have been eliminated from the more usual methods of making collateral loans against mortgages. From the point of view of the mortgage banker, as well as from the point of view of the commercial banker, the system has worked out satisfactorily. By following this plan, commercial banks may consider your loans as "loans secured by accounts receivable." Although this "agency plan" has not been widely used, it seems to hold promise as a really efficient way to handle your interim financing. Obviously, certain problems will occur that will have to be ironed out; but I am sure that the necessary revisions will be relatively minor.

Generally speaking, this agent-type of interim financing is desirable particularly where the mortgage banker has a rather large volume of transactions. Time and expense is involved in setting up the agency. The bank's auditors must check the agent's files periodically. Thus, the mortgage banker who is handling relatively few committed mortgages will probably find this system unnecessary and would do better to obtain the more usual type of collateral loan. On the other hand, if he anticipates a large volume of committed mortgages, he will probably find it worthwhile to discuss this sort of set-up with his regular commercial banker.

When talking with his banker — and regardless of the plan he follows — he should always attempt to anticipate the maximum amount of credit that he will need, because the ability of a bank to lend money is, as you know, limited by its capital and surplus. So if it seems likely that the bank he has selected will be unable to meet his total requirements, it would generally be wise to talk the problem over with one of the bank's correspondents, so that they will be prepared to handle any excess. By doing this, the operation can be assured of success before it starts.

Reasons for Plan

As you listen to this short outline of what we are doing, perhaps some of you are wondering why I attach so much importance to this plan. The reasons are manifold. First, I am glad that we commercial bankers have been able to work out a method for adapting our services to the needs of our customers. Second, we realize that the mortgage debt of the country stands in the neighborhood of one hundred billion dollars and in total amount is second only to the debt of the Federal Government. As dealers in credit, we cannot afford to overlook this profitable source of business and must find a service that will be useful to this market.

My third reason, however, transcends the others in importance, for it regards the long-range welfare of the economy upon whose condition all of us — in the last resort — depend. Although it seems likely that the volume of residential construction in the country — and therefore the demand for mortgage money — may be somewhat less in 1954 than in 1953, the supply side of the mortgage money equation is not likely to show an equal reduction. Incoming funds to insurance companies and savings institutions available for investment in mortgages are not likely to decline to any great extent. In large measure, the flow of such funds is governed by contractual arrangements such as life insurance premiums and amortization payments on mortgages already held. Nevertheless, it is clearly the policy of the Federal Government to foster the ready availability of mortgage money as one of the ways to combat the business decline. In fact, much as the U. S. Treasury desires to lengthen the Federal debt, it will probably restrict its own long-term financing to such amounts as it is convinced can be done without reducing the amount of money available for mortgages to an undesirable extent. The Treasury probably would already have done more long-term financing if it had not been concerned with keeping mortgage money easy.

The attitude of the Treasury, I think, underlines the importance of your business to the economy as a whole and points up the need for keeping a steady supply of mortgage credit available for the public's use. This can be done — not by the mortgage banker or the commercial banker alone — but by the two of them working together in close cooperation, with the mortgage banker finding a market for the long-term credit and the commercial banker supplying the short-term credit. Everything that we can do to make this cooperative effort more efficient will increase the availability of mortgage credit and will redound, not only to our own profit, but to the general welfare of the country.

*Remarks of Mr. Howard before the Midwestern Mortgage Conference, Chicago, Ill., Feb. 25, 1954.

Whitcomb, Tenbusch With Morrow & Co.

CLEVELAND, Ohio — Cecil B. Whitcomb and George R. Tenbusch have become associated with Morrow & Co., Hanna Building, members of the Midwest Stock Exchange. Mr. Whitcomb was formerly with Gordon Macklin & Co. and in the past was an officer of the Cleveland Stock Exchange. Mr. Tenbusch was with Ross, Borton & Simon and Gordon Macklin & Co.

C. B. Whitcomb

Steiner, Rouse Has Investment Exhibit

Steiner, Rouse & Company, 19 Rector Street, New York City, members of the New York Stock Exchange, is operating an exhibit at the National Antique Show being held at Madison Square Garden. The firm reports a great deal of public interest in the new Monthly Investment Plan.

James B. McFarland Is With Hecker Co.

PHILADELPHIA, Pa. — James B. McFarland is now associated with the trading department of Hecker & Co., Liberty Trust Building, members of the New York Stock Exchange. Mr. McFarland was formerly with H. M. Byllesby & Company, Incorporated, and the First Boston Corporation.

With Mitchum, Tully

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Meader Fletcher has become affiliated with Mitchum, Tully & Co., 405 Montgomery Street, members of the Los Angeles Stock Exchange. He was formerly with Davis, Skaggs & Co. and Shaw, Hooker & Co.

With Paine, Webber Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Edward T. Cronin and Monroe E. Prell have become associated with Paine, Webber, Jackson & Curtis, 626 South Spring Street. Mr. Cronin was formerly with Hannaford & Talbot and Hill Richards & Co.

Joins Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

FT. MYERS, Fla. — James C. Spooner has become connected with Goodbody & Co., First National Bank Building.

Reynolds Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Howard Martin has become associated with Reynolds & Co., 39 South La Salle St.

Canadian Experiment, Experience and Expansion

By GORDON R. BALL*
President of the Bank of Montreal

Head of leading Canadian banking institution discusses hopes and aspirations for Canada's growth, along with the problems and perplexities which becloud the immediate outlook. Reveals great strides in Canada's youngest industry, oil, and notes rapid economic progress in other fields. Says Canada's economic progress is due to investment of home as well as foreign capital, and belittles fear of U. S. control of Canada's oil industry. Points out advantage in having U. S. capital participate in Canadian oil development. Looks for widespread adjustments in period just ahead.

Gordon Reginald Ball

In choosing a title for my remarks, my first thought was, "A Banker Looks Down an Oil Well," but that seemed a rather dangerous tack to take. Eventually, the three words "Experiment, Experience and Expansion" fell into place as highlighting certain features of the petroleum, gas and petro-chemical industries in Canada. I should add that any resemblance between my title and the "XXX" that appears on bottles and casks in comic strips is purely coincidental!

While I choose three words which seemed to apply to the work that you are engaged in, this does not mean that I intend to tell you about your own business. You know far more about that than I ever shall. I feel that "experiment," "experience" and "expansion" are words that Canadians in every walk of life might well keep in mind. What I hope to do in the next few minutes, therefore, is to traverse with you some of the common ground of hopes and aspirations for this country's growth, and some of the common ground of problems and perplexities that becloud the immediate outlook, which are shared by you in the oil, gas and chemical industries and by us in the banking business.

There are many points of similarity between our two kinds of enterprise. We are both concerned with the Canadian economy in its broadest aspects and in its smallest details. The well-being of our businesses is related to the well-being of the economy at large, and to the levels of production, employment, foreign trade and so on that contribute to it. At the same time, the individual Canadian, whether he lives in a city or in a remote settlement, is probably "on our books," for he uses petroleum and chemical products in far more forms than he realizes, and he probably has a bank account. The food we have just eaten could hardly have been transported, preserved or seasoned without the products of your plants. But neither could it have moved from where it was grown to the plates in front of us without the aid of bank credit along the way.

Again, banks and oil companies are both risk takers. By that I do not, of course, mean that we are gamblers, but rather that we take the carefully considered, the thoroughly appraised risk. Just as an oil exploration company would not embark on a drilling program before it had examined the geological structure of the terrain, neither would a bank advance a loan until it had had a good look at the underlying financial position of the client.

Canadian Oil Industry Is Young

But if there are points of resemblance between our two businesses there are also points of difference. One of these is age. The bank where I work is in its one hundred and thirty-seventh year. It has seen a good many changes in business conditions in that time. By contrast, the giant strides that have been made in discovering and developing Canadian oil have been made in little more than seven years.

It is in very recent years, too, that the petro-chemical industry has opened up its amazing bag of tricks. I confess that I cannot even keep track of the new words like polystyrene and polyethylene and the other polysyllables. But I get the impression that every "poly" requires a "cracker" at some point in the cracking and refining process. Be that as it may, the phenomenal growth of the petroleum and petro-chemical industries in recent years has taken place against a background of rising business barometers. The two, of course, are not independent. Each has contributed to the other.

What has given Canada the seven-league boots that have enabled her to make such strides in so short a period? What has caused this country's total national output of goods and services to increase in physical volume by a third between 1946 and 1953? There have been many factors. There were the pent-up demands for consumer goods that had been deferred, not only during World War II, but also to some extent during the depression years. There was an unforeseen growth in population. There were broadening export markets, particularly in the United States. There were expanding social security payments by government, together with the rearmament program suddenly imposed by the onset of the Korean War.

Expansion of Canada's Physical Assets

But fully as dynamic as any of these has been the vast enlargement of the country's physical assets in response to discovery and development of natural resources and to general growth. It is this facet of Canadian growth to which the engineer's work is primarily related and it is about it that I wish particularly to speak. You are no doubt familiar with many of the individual projects in this capital expenditure program. They run the gamut of mobile construction and exploration equipment; fixed plant and machinery for manufacturing, processing, transporting and storing goods, and for providing utility services, municipal services and public works; they include office buildings, hotels, stores, hospitals, schools and, not least, apartments and houses.

When all these forms of new capital expenditure are put together, their total value in the eight years 1946 through 1953 amounts to $30 billions. In every year since 1946 the annual total has been greater than the year before. And just recently Mr. C. D. Howe announced the results of a very thorough survey which shows that Canadian business enterprises and individuals are, once again, planning larger expenditures of a capital nature this year than they made last year. What is even more significant, the additions to physical capital have represented nearly 21% of Canada's total national production in the postwar period as a whole, and an even higher percentage in recent years. In other words, we in this country have been plowing back into durable physical assets, rather than consuming immediately, between a fifth and a quarter of our national output—a higher proportion than in the United States and much higher than in most other countries.

In no direction has this provision for the future been more notable than in the exploration and development of oil and gas fields and the building of pipelines, refineries and by-product industries. It is a rule of thumb, I understand, that to bring one barrel of oil per day from the well to the consumer requires a capital investment of $5,000.

It is probably your impression that a large part, if not the major part of the oil industry's expansion has been financed by investment capital from the United States or elsewhere. That is quite true in the case of the oil industry and I shall come back to it in a moment.

Role of Internal Capital Financing

But the oil industry is not a typical example of the incidence of foreign investment and it should not be inferred that Canada's expansion as a whole has been financed mainly by external capital. It is true that this country's growth has proved attractive to outside investors. The foreign stake in Canada has increased in seven years by a little over $3 billion, from $7 billion at the end of 1945 to over $10 billion at latest report at the end of 1952. These figures, by the way, represent the outstanding book value of both direct investment by foreign companies in Canada and foreign holdings of Canadian securities, and they reflect both the movement of new capital funds and the reinvestment of earnings.

When we compare this increase of $3 billion in foreign investment in Canada during seven postwar years with the figure of $30 billion of new Canadian capital expenditures as a whole in eight years, it becomes clear that less than 10%, actually a little under 8%, of Canada's total postwar spending of a capital nature has been financed by outside investors. And I might add that the 92% underwritten by Canadian capital is a higher proportion than prevailed in earlier periods of rapid development.

Nearly all the $3 billion increase of foreign investment in Canada represented United States capital and close to 25% of it went into the oil and gas industries in one way or another.

The exceptional degree of foreign participation in this one industry raises the question of the extent to which it is actually controlled outside the country. The Canadian Government has made a special study of this question and you may be interested, although I doubt that you will be surprised, by the findings. They showed that, of the total book value of investment in the Canadian petroleum industry, the proportion controlled in the United States, by virtue of majority U. S. ownership of voting stock, had risen from 58% at the end of 1945 to 62% at the end of 1951. In those companies engaged mainly in refining, transporting and selling petroleum products, U. S. control has always been high and has changed little — from 68½% in 1945 to 69½% in 1951. In companies mainly devoted to exploration and development, on the other hand, U. S. control was less than 14% at the end of the war, but exceeded 46% by the end of 1951 and is by now probably well over the 50% mark.

American Control in Canadian Oil Industry

Misgivings are sometimes expressed about the widening area of American control in the Canadian oil industry and the fact that Canadian investors participate mainly by taking the funded debt. This, I should add, is typical not only of the oil industry but also of certain petro-chemical and iron ore enterprises. While I do not contend that it is entirely desirable, I feel it is in many ways a natural development that should be understood before it is criticized.

As you fully appreciate, the oil industry is uniquely a world industry, its international structure and organization having sprung from the fact that oil can, and does, move freely across national boundaries. It is an industry, moreover, that is controlled to a major extent by U. S. and British capital. It was only to be expected, therefore, that much of the stimulus to explore and develop the oil potentialities of the Canadian west in the wake of Leduc should come from U. S. companies, whose need for new reserves is insatiable, and whose exploration programs are massive and backed by ample equipment and trained personnel.

In confirmation of this view, it is interesting to look at the other side of the coin—at the character of United States foreign investments everywhere. Here we find that the amount of privately held U. S. investment in controlled enterprises outside the United States has doubled in the past 10 years, from a little under $8 billion in 1943 to an estimated $16 billion at the end of 1953. But U. S. direct investment in the petroleum industry elsewhere more than tripled in the decade. Of all U. S. foreign investment today close to a third is in Canada—four times as much as in the second ranking country. Moreover, it is worth pointing out that a considerable part of the increase in the U. S. investment stake here has come about by the reinvestment of profits. In other words, for this country, U. S. investment has not been a drain but an accumulating benefit.

All these figures, and I apologize for the number of them that I have inflicted upon you, but not for their size, underscore in my mind the advantage of U. S. participation in Canadian oil development. They emphasize too, the need to guide that development along sound lines, as it has thus far been guided by the conservation polices of the governments concerned, and by the production policies of the companies involved. But the best of judgment must continue to be brought to bear in shaping the growth of so youthful and robust an industry. The capital that is made available for the development of oil resources on a world-wide front, and which has been coming to Canada in such generous quantity, does not always have to move in the same direction. There is keen competition for oil development capital, and the recent initial discovery in Australia, about which Sir Douglas Copland told you something yesterday, is a case in point.

Examples of the consequences that can follow from unwillingness to recognize the international nature of the oil business are not far to seek. Since Mexico nationalized its petroleum industry in 1938, new discoveries in that country have been few, and its crude output has fallen from 25% of the world total in the early 1920's to 2% today. The case of Iran is still too much with us to require rehearsing.

Future Prospects

What of the future? What can be said on the question of the business outlook — the question that is in everyone's mind? One point that can be made is that, in gauging the demand for its products in the immediate future, the petroleum industry can be more confident than most. The large number of motor vehicles, oil burners, diesel and other consuming units that have been coming into operation is a solid basis on which to predict further gains in the consumption of petroleum products.

In the economy as a whole, however, the wind seems to be changing and the period ahead promises to be a testing time. After the long stretch of good years that I have already described, a fairly widespread adjustment appears to be under way. It is evident in a leveling out or decline in such general indicators as industrial production, employment, income, retail sales, exports and government expenditures. The same sort of thing has been happening in the United States. As to how long the adjustment will persist and how far it will go, it is yet too soon to say. Such adjustments can be corrective in nature, or they can be become cumulative.

Of one thing we may be quite sure. There will be greater competition and it will bite more deeply. It will be felt in export markets and it will be felt at home, not only among domestic products but between domestic and imported products. Such conditions emphasize the importance of improving efficiency and cutting unit costs by every technique that can be devised, short of reducing wages. Canadian income levels are the second highest in the world and we want to keep them high. Labor costs can be a factor in pricing a product out of the market but they do not have to be, if wage cost per unit of output can be reduced. In the efforts that must be made to this end, the capital expenditures of recent years, which have brought more and more outside energy to the hand of the worker in the factory and on the farm, will stand us in good stead. To the growing use of energy sources, the oil and gas industries have made a notable contribution. On a per capita basis, Canadians are the second heaviest users of oil in the world. I know that your industry is keenly conscious of

Continued on page 37

*An address by Mr. Ball at a luncheon meeting of the Chemical and Petroleum Engineering Conference of the Chemical Institute of Canada, Montreal, Can., March 2, 1954.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks put on a consolidating movement generally this week, which was in the classic pattern and left most of the market analysts satisfied that the basic strength wasn't disturbed. The fact that selling was so moderate, and in this, the pre-income tax week moreover, was a bit of a surprise on the pleasing side.

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The majority view was that after the 45-point climb of the last six months, some sort of pause was called for, even a correction of some extent. But instead the market has been holding within easy range of the 300 mark, which was first achieved on an intra-day basis late last week for the first time since 1929. The closing industrial index, however, was having trouble crossing the line.

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By way of comparison, the Oct. 26, 1929 closing of 298.97 has now been exceeded, leaving the 301.22 of Oct. 25, 1929 as the next target. The others, working back up history's most precipitous market decline, include 305.85 of Oct. 23, 326.51 of Oct. 22 and the famous 381.17 of Sept. 3, 1929.

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Long Way for Rails & Utilities

For the rails, which showed no inclination this week to generate a following, the chore is far more difficult before historic levels are reached. They have yet to exceed their February high of 103.49 before tackling the 112.21 of 1953, or the 112.53 of 1952. And the targets of a quarter century ago are even more formidable — 157.94 of 1930 and 189.11 of 1929.

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The utilities, on a statistical basis, have as much of a chore as the rails but there are some mitigating factors that make some of the old comparisons faulty. The Dow average has broken into the clear since 1931 and has been toying with the 1931 high of 55.21, a matter of pennies to go after the week's initial session. But behind that mark are the well-nigh impossible figures of 108.62, the 1930 high, and the utterly fabulous 144.61 of 1929.

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For one, the utility average which was started in 1929, has "frozen" in it more of the extremely high 1929 prices as well as the corporate monstrosities of that era, than the senior indices started in 1897. Only a couple of the components were operating utilities, the bulk being the now-simplified utility holding companies. In addition, American Telephone's better than $310 price tag, almost double its present level, and Western Union's $272 helped make up that utility index's lofty standing. Moreover, Telephone now is an "industrial" while Western Union has long since become a non-index stock.

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More encouraging for the utilities followers is the fact that other indices, which were put together with more of a bow to the hard facts of the present utility picture than to a historical sequence that is inaccurate anyway, have already broken out into all-time high territory.

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Non-Ferrous Issues Climb

Something of a surprise in the week's trading was the sudden power generated by the non-ferrous metals stocks as prices of some of the metals firmed up. Stocks in this group had been so thoroughly depressed and neglected that the traders had to rush a bit to catch up with the implications and Kennecott, particularly, was able to chalk up at least in one session a far better-than-average gain. Anaconda reached its best price of this year at least, although well below the best of 1953 and 1952.

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Boeing Airplane was subjected, at least momentarily, to a harrowing time as the speculation mounted over whether a split was or wasn't in the works and went through some rather erratic movements. It responded readily to the actual split, however. Otherwise the aircrafts continue to feature in quiet strength and had candidates prominently on the new highs lists. They weren't half as important on the side of strength, however, as they were resistant to any of the moments of easiness elsewhere, altogether a sterling performance in markets less spirited than they have been so far this year.

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New Haven Active

Southern Pacific, which came out of a long lethargy to emulate, to a degree, the gyrations much more typical of Northern Pacific, ran out of steam for the most and appeared on the casualty side with some conviction. New Haven, which passed the voting deadline in midweek for use in the forthcoming fight for control of the road, had an erratic existence. Cash sales were numerous and the issue was one of the two hardest to borrow on the short side. It loaned at a premium steadily with Goodrich which has been on the premium list for weeks.

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A. T. & T. Forges Ahead

American Telephone continued to ignore the seesawing elsewhere and work uphill steadily but surely. It moved back across the 165 line for the first time since 1947, when it was selling on a 5.4% yield basis, more in line with the quality issues in the list than it has been for some time as the string of convertible postwar issues kept the arbitrageurs busy and the stock heavy. Ahead for comparative use are the 1947 high of nearly 175 and 1946's shade over 200.

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Westinghouse continued on the nervous side, last week's run-up on hopes of a split or other dividend treatment all washed up in the face of a final quarter report showing a drastic decline in operating profit of four million against 29 million for the comparable period a year earlier. The unknown factors, such as how much writing off was done to lessen the impact of the final Excess Profits Tax payment and what, if any, arbitrary decisions were postponed until the current year for the better tax climate, kept the issue fairly buoyant. They also heightened, well in advance, the interest that is going to center on the first quarter report.

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Market's Technical Action

The technical action was all good, although the careful observers gleaned little from the day-to-day action and had to concentrate on the intra-day movements to find the list still contracting on diminished volume during selling periods and expanding on increased volume when strength was around. New highs not only for this year, but for 1953-54 as well, continued to far outpace the new lows by eight and ten-to-one or more. Overall volume is good, contributing to black ink in the brokerage offices and while the margin is only around 3,000,000 shares over 1953 volume, the commission rate increase late last year alters the picture drastically.

[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.]

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

Operating statements for most of the major fire and casualty insurance companies are now available for last year.

Generally, reports have been in line with previous expectations. The large groups writing a broad diversification of risks showed earnings close to the level of 1952. The companies writing primarily casualty lines, in most instances, were able to report a large gain in underwriting results while the institutions concentrated in straight fire coverages had difficulty maintaining earnings at the same level as in the previous years. In fact, a number of companies actually showed statutory underwriting losses in this business in contrast to profits in the eariler period.

Investment results during 1953, on the other hand were uniformly good. The gains in investment income averaged close to 6%-7% although in individual instances the increase was considerably higher. This reflected a number of factors including a larger volume of invested funds, improved yields on fixed income obligations and some increase in dividend payments on equity holdings.

Income taxes, primarily as a result of the gains in statutory underwriting, were substantially higher. Even so, operating earnings on an adjusted basis were generally close to those of the previous year.

Some of the foregoing generalities are illustrated in the operating statements of two insurance companies which have recently distributed annual reports. Accordingly, the figures for Glens Falls Insurance and Camden Fire Insurance are shown below.

	Glen Falls 1953	Glen Falls 1952	Camden Fire 1953	Camden Fire 1952
	000			
Underwriting:				
Premiums written	$72,711	$67,718	$16,028	$15,397
Incr. in unearned premium res.	2,845	4,994	625	730
Premiums earned	$69,866	$62,724	$15,403	$14,667
Losses and loss expenses	39,327	35,550	7,933	7,408
Underwriting expenses	28,632	23,786	6,717	6,452
Underwriting income	$1,907	$389	$753	$807
Investments:				
Investment income	$2,651	$2,379	$990	$933
Op. gain before taxes on inc.	$4,558	$2,768	$1,743	$1,740
Income taxes	1,533	670	580	592
Net operating earnings	$3,025	$2,098	$1,163	$1,148

A direct comparison between the two concerns with respect to operations last year is not entirely valid. The Glens Falls group writes a full range of insurance coverages with only about 24% concentrated in straight fire business. Camden Fire on the other hand writes very little automobile liability or property damage and depends primarily on fire lines for its business with over 50% of premium volume derived from this source. Some allowance should also be made for difference in the rate of gains in volume with respect to the unearned premium reserve.

As can be seen from the above figures, investment operations in both instances showed gains. Glens Falls reported earnings from this source higher by approximately 11.4% while the increase for Camden was about 6%.

Income taxes of Glens Falls were higher and reflected larger underwriting earnings while the opposite was true for Camden.

On a per share basis earnings of Glens Falls were equal to $4.65 in 1953 as against $3.23 for the previous year. The results for Camden Fire for the same period amounted to $2.33 per share in 1953 as compared with $2.30 in 1952.

If an adjustment is made for the equity of the stockholders in the increase in the unearned premium reserve according to the usual standards, the earnings of Glens Falls would be approximately $6.18 per share for 1953 and $5.92 for 1952. The adjusted figures for Camden Fire would work out to be $2.77 in 1953 and $2.81 in the earlier period.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

At the regular meeting of the Board of Directors of **The National City Bank of New York** held on March 9 W. Howard Miller and Roderick B. Swenson were appointed Assistant Vice-Presidents and Daniel C. De Menocal and Nelson P. Wheeler were appointed Assistant Cashiers. Mr. Miller, until recently a Second Vice-President of the Guaranty Trust Company of New York, is associated with the Public Utilities unit of National City's Special Industries Group. Mr. Swenson was formerly an Assistant Cashier and is assigned to the Southwestern District. Mr. De Menocal is in the Middle Western District and Mr. Wheeler is assigned to the New York-New England District.

* * *

Appointment of John T. Williams as an Assistant Vice-President and J. Paul Taylor as an Assistant Treasurer of **Manufacturers Trust Company, New York** was anounced on March 3 by Horace C. Flanigan, President.

Mr. Williams joined the staff of the State Bank and Trust Company in 1920, and came to Manufacturers Trust through the merger of that institution in 1929. He was appointed an Assistant Treasurer in 1950 and in 1953 was assigned to the Out-of-Town Business Department. His territory embraces the States of Ohio and Kentucky.

Mr. Taylor joined the Brooklyn Trust Company in 1929, and was advanced to an Assistant Secretary in 1934. He came to Manufacturers Trust through the merger of the two institutions in 1950. Mr. Taylor is assigned to the out-of-town business department and his territory embraces the State of West Virginia and a portion of the State of Pennsylvania.

The appointment of Edward S. Petry as an Assistant Auditor was announced on Mar. 5.

Mr. Petry joined the State Bank and Trust Company in 1921 and came to Manufacturers Trust at the time of the merger of the two institutions in 1929. In 1942, after working in various departments, Mr. Petry was placed on special assignment in the president's department. He was advanced to Assistant Secretary in 1947.

Appointment of William H. McGraw as an Assistant Secretary was announced on March 10.

Mr. McGraw was graduated from both New York University and the Graduate School of Business Administration at New York University. Mr. McGraw came to Manufacturers Trust in February 1952. He is assigned to the 513 Fifth Aveune office of the bank.

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S. Sloan Colt, President of **Bankers Trust Company, New York**, announced on March 8 the election of M. E. Gevers as Vice-President of the bank. Mr. Gevers has been an Assistant Vice-President since 1949.

Mr. Gevers joined the staff of Bankers Trust Company in 1932. His career with the bank has been with the foreign division. He served for two years in the Paris office and from 1933 to 1937 in the London office. In 1938 he joined the foreign division's New York staff. He was elected Assistant Treasurer in 1946 and Assistant Vice-President in 1949. He handles business in Europe, the Near East and Middle East.

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Alan C. Gardner has resigned as Assistant Vice-President of the **Manhattan Savings Bank, New York**, to engage in his own business as realty and mortgage consultant.

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The Lafayette National Bank of Brooklyn, N. Y., has called a meeting of its shareholders for March 23 to vote on a proposal to increase the capital of the bank by $125,000 through the sale of stock.

In a letter to shareholders, accompanying the notice of meeting, Walter Jeffreys Carlin, President of the bank, said:

"The growth of the bank makes necessary additional capital and your directors have voted that it is for the best interest of the bank that the capital should be increased from $1,250,000 to $1,375,000.

"If this proposal is approved by the shareholders, each shareholder will receive rights to purchase one additional share of stock for each 10 shares of stock held.

"Your directors are proposing that the additional stock be sold at $40 per share. Of this, $20 per share (par value) will be added to capital and $20 per share will be added to surplus. The result of this will be that the capital will be $1,375,000 and the surplus $1,375,000."

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A Queens branch of the **Federation Bank and Trust Company, New York**, will be opened at 41-84 Main Street, Flushing, early next month, its President, Thomas J. Shanahan, announced on Mar. 5.

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Charles Jost, 72, President of the **Danbury National Bank, Danbury, Conn.**, died on March 4 aboard the Holland - American liner Nieuw Amsterdam as the ship entered New York harbor. Mr. Jost was Executive Vice-President and Conservator of the bank in 1933, and was named President in 1939. Mr. Jost had previously been on the staff of the Manufacturers Trust Co. in New York.

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Chester - Cambridge Bank and Trust Company, Chester, Penn., and **The Philadelphia National Bank, Philadelphia, Penn.**, merged under the charter and title of **The Philadelphia National Bank**, effective Feb. 23. Previous item about the merger appeared in the Jan. 21 issue of the "Chronicle," page 272.

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By sale of new stock effective Feb. 25, the common capital stock of the **Lancaster County National Bank, Lancaster, Penn.**, was increased from $500,000 to $750,000.

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An increase from $650,000 to $1,250,000 in the common capital stock of **The Warren National Bank, Warren Penn.**, was made effective Feb. 26. Of this increase $487,500 was accompanied by a stock dividend and $112,500 by sale of new stock.

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The **Anacostia National Bank of Washington, D. C.**, increased its common capital stock from $400,000 to $500,000 by sale of new stock, effective Feb. 25.

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Clarence A. Beutel, Sr., President of the **South East National Bank of Chicago, Ill.** serving as Chairman of the Advisory Committee of the **Colonial Bank and Trust Company, Chicago, Ill.** announces that the entire stock of $525,000 for the new bank has been underwritten through the participation of 300 subscribers.

The initial capitalization of $525,000 will be divided with $350,000 in the capital account, $100,000 in surplus, and $75,000 in operating reserve.

Rapid rise in the volume of sales in the last two years throughout the Belmont-Central area brought about the efforts of the community Chamber of Commerce to initiate the organization of this new bank. Mr. Beutel was asked to head the committee to organize the new institution.

A lease has been arranged for suitable quarters which will provide both parking space and facilities for auto-banking as well as night and after-hour depositors.

Announcement will be made shortly of the appointment of directors and executive personnel as well as the bank opening, which is expected to be in the latter part of May.

* * *

The common capital stock of the **First National Bank of Mount Clemens, Mich.**, was increased from $300,000 to $450,000 by a stock dividend and increased further to $500,000 by sale of new stock, effective Feb. 25.

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The **Peoples National Bank of Miami Shores, Fla.**, increased its common capital stock from $375,000 to $475,000 effective Feb. 26 by sale of new stock.

* * *

The **Houston National Bank, Houston, Texas**, increased its common capital stock effective Feb. 23 from $1,000,000 to $1,500,000 by sale of new stock.

* * *

Effective Feb. 25, the common capital stock of the **Wichita National Bank of Wichita Falls, Texas**, was increased from $250,000 to $500,000, $150,000 of the increase was made by a stock dividend and $100,000 of the increase was made by the sale of new stock.

* * *

Citizens National Bank, Riverside, Calif., will break ground for its new $125,000 office in Hemet, Calif., during the latter part of April, according to an announcement by W. W. Watson, Vice-President and Manager of the bank's Hemet branch.

The staff will move en masse across the street into its new quarters some time in late September. In the four - month interim a strikingly modern building of over 8,500 feet will take shape on the former site of the historic Alessandro Hotel. Almost four times the size of the space now occupied by Citizens Hemet office, the new structure will combine the utmost in customer convenience and staff facilities with an architectural treatment that is outstanding in contemporary bank design.

The bank will occupy the entire structure, except for a small rental unit of roughly 700 square feet, to be expanded later.

* * *

The First National Bank of Los Gatos, Calif., with common capital stock of $50,000 went into voluntary liquidation at the close of business on Feb. 12 and was absorbed by **American Trust Company, San Francisco, Calif.**

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The interim financing by the Treasury through the medium of 13 weeks tax anticipation bills was pretty well expected by the money markets because prices in most instances not only made new highs for the year but the longer-term 2½s went back to the par level for the first time in three years. It seems, however, as though the Treasury has left the door open for either an intermediate or long-term obligation for new money near the end of the current fiscal year if conditions so warrant. The course of the business picture will no doubt be the determining factor as to whether a middle-term or longer-term issue is used in the new money raising efforts. The fact that a very short-term issue which will create a certain amount of bank deposits was used by the Treasury appears to indicate they are working pretty much hand-in-hand with the Federal authorities.

Even though the government market has been very much on the professional side there has been an impressive amount of buying in selected issues by the deposit banks with non-bank investors also in there from time-to-time.

Loan Curve Declining

The lengthening of maturities by the commercial banks is still the main feature of the government market, according to advices that have come to hand. The desire to protect earnings is the principal reason for the pushing out of commitments since it is reported that loans in many instances have dropped rather sharply. There have been cases, however, where loans have remained pretty much on an even keel and other cases where they have increased. This is attributed to borrowings which have been made in order to make payments of income taxes. Nonetheless, it seems as though the overall picture still shows that the loan curve is trending down in a not uncertain manner.

2½s of 1961 Most Popular

The smaller commercial banks are the leading operators in the move which is extending the maturity of the government bond holdings of these institutions. It is reported that the favorite obligation of the out-of-town deposit banks is the recently issued 2½% due 11/15/61, which not only has appeal to these institutions from the income standpoint but also as far as the maturity is concerned. The absolute maturity of 1961 likewise adds to the attractiveness of this security. The issues that come due in 1955, 1956 and 1957 are being sold by these institutions and the proceeds are being put to work in the 2½s of Nov. 15, 1961. There have also been reports of switches out of 2½s due 12/15/58 into the newly issued 2½s, with certain of the larger money center banks competing with the smaller ones in this operation.

Money Supply Plentiful

The reportedly next most popular issue for switching purposes among the smaller commercial banks is the 2½% due 6/15/64-69, with competition also coming from the 2½s due just six months later, the December 1964/69. It is indicated that the out-of-town banks want to get some money to work around the 2½% level, give or take a bit here and there. Even though the longer-term 2½s are again around the par level, there is no noticeable let-up yet in purchases of these bonds.

There is evidently a plentiful supply of money around which has to be invested and not a few of the institutional investors are still sold on the belief that the Treasury securities are the best buys in the market today. To be sure, some of these banks were able to make purchases of the most distant 2½s when quotations were much lower and this has given them a cushion which allows for some commitments being made at prices above 100.

Eligible 2½s Continue in Favor

The eligible 2½s due 9/15/67-72 have been among the favorite issues for commercial banks even though there have been reports that some of these same institutions were sellers of this security when it made the 100 level. It seems as though certain banks wanted to clean out this bond when it hit the price at which they were carrying it for on their books.

Market Briefs

The short-term issues are still very much in demand with the deposit banks now taking over the role that has been until very recently so well taken care of by corporations. Payment of taxes has taken funds which ordinarily would be available for the purchase of near-term Treasury obligations. Accordingly, corporations have had to curtail rather sharply commitments in the most liquid government securities.

Pension funds, both private and public, have been among the most active buyers of the longer-term bonds. However, some profit-taking is being reported in the 3¼s due 6/15/78-83 by these same funds with the proceeds going mainly into the Vic's.

It is indicated that one of larger life insurance companies has been in the market for a fairly important amount of the higher yielding government issues. Likewise, it is reported that some of the near-term securities were also bought by this concern.

Dean Witter Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Thomas W. Witter is now affiliated with Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Now With Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif. — V. McLeod Taylor has become associated with Sutro & Co., 55 North First Street. He was formerly with William R. Staats & Co. and prior thereto was with H. Irving Lee & Co.

Two With Griggs Co.

(Special to THE FINANCIAL CHRONICLE)

WATERBURY, Conn.—Clifford A. Jones and Robert J. Ryan are with The R. F. Griggs Co., 35 Leavenworth Street.

Joins A. C. Allyn Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William E. Tague has become affiliated with A. C. Allyn & Co. Inc., 122 South La Salle Street. He was formerly with Edgar, Ricker & Co. and John J. O'Brien & Co.

With E. M. Bradley Co.

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—Edward B. Spalding is now connected with Edw. M. Bradley & Co., Inc., 215 Church Street, members of the Boston Stock Exchange.

C. W. Scranton Adds

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn. — Philip R. Reynolds has become affiliated with Chas. W. Scranton & Co., 209 Church Street, members of the New York Stock Exchange.

Aims of New Housing Legislation

By ALBERT M. COLE*
Administrator, Housing and Home Finance Agency

In discussing Administration's proposed housing legislation, Mr. Cole lists as important provisions: (1) flexibility in policies governing terms and interest rates in FHA and VA home loans; (2) replacement of government by private funds as source of supplementary secondary mortgage credit for FHA and VA home mortgages; and (3) a program for a new broad-scale urban rehabilitation program. Stresses role of private enterprise in new legislation, and holds principal function of government is to supplement private efforts with technical and financial assistance.


Albert M. Cole

The comprehensive housing legislation now before the Banking and Currency Committees of the Congress is based largely on the recommendations of the President's Advisory Committee on Housing Policies and Programs. It embodies new proposals and new concepts which incorporate the constructive thinking and ideas of many leaders in the housing field. Prominent among them are well known spokesmen for mortgage operations in the banking field who contributed particularly to the subcommittees concerned with the FHA and VA home loan programs and the general field of housing credit.

In any consideration or discussion of the new housing legislation, it is fundamental that we keep in mind the policy and approach which motivates it. The President's Committee stated that policy in its own report, in these words:

"It is the conviction of this Committee that the constant improvement of the living conditions of all the people is best accomplished under a strong, free, competitive economy, that every action taken by government in respect to housing should be for the purpose of facilitating the operation of that economy to provide adequate housing for all the people, to meet demands for new building, to assure the maintenance, restoration, and utilization of the existing stock of housing, and the elimination of conditions that create hazards to public safety and welfare and to the economic health of our communities, and that only those measures that prove to be successful in meeting these objectives should be continued."

The President himself expressed the same philosophy in his Housing Message to the Congress, when he said:

"The Federal Government must provide aggressive and positive leadership. At the same time, actions and programs must be avoided that would make our citizens increasingly dependent upon the Federal Government to supply their housing needs. We believe that needed progress can best be made by full and effective utilization of our competitive economy with its vast resources for building and financing homes for our people."

In considering these new housing proposals it is important that we bear in mind these statements of policy, for the measures proposed in this bill are dependent for their success not on government, but on the initiative and action of private enterprise and of the official and business leadership in our communities.

*An address prepared by Mr. Cole and read for him by his assistant Neal J. Hardy at the Annual Savings and Mortgage Conference of the Savings and Mortgage Division of the American Bankers Association, New York City, March 3, 1954.

That includes your own important function in the housing progress of your communities. The new housing bill is, therefore, both an expression of confidence and a challenge to your leadership. Let me discuss some of its provisions of particular interest to mortgage lenders.

Flexibility in FHA and VA Loans

The bill introduces, for one thing, the principle of flexibility in government policies governing terms and interest rates in FHA and VA home loans, so that these policies may be carried out consistent with current market requirements. This should improve the stability of mortgage financing and avoid distortions and disruption resulting from conflict and contradiction between government housing credit policies and changing market conditions.

The bill would also establish the means to replace government with private funds as a source of supplementary secondary mortgage credit for FHA and VA home mortgages, and would restrict the use of government funds to special and extraordinary needs and purposes.

It would equalize FHA mortgage insurance terms as between new and existing housing, opening up a broader, more secure mortgage market for the improvement and marketing of older houses and providing more people a wider choice and opportunity to better their housing situation.

It would give more liberal support to loans for the repair and modernization of existing homes, and would provide government support to develop new devices, such as the open-end mortgage to serve changing requirements of home-owners.

In this connection, I want particularly to mention the Advisory Committee's recommendation that mortgage investors develop the possibilities of participation shares in mortgage loans with local correspondents, both as a means of obtaining a broader spread of mortgage financing throughout the country and as a measure to provide mortgage investors with responsible and economical means for investing in such mortgages. We believe this proposal is well worth the serious consideration of the banks, investing institutions, and we will be prepared to discuss with you any adjustment in government mortgage insurance procedures that may be necessary to facilitate such operations.

Broad-Scale Urban Renewal Program

One of the most important and far-reaching proposals in the new housing bill is the program for a new broad-scale urban renewal program to embrace the conservation and rehabilitation of urban areas, as well as the clearance of slums. The opportunities and requirements for mortgage investment in this program, both for rehabilitation and redevelopment, are tremendous, and special authority would be provided for the FHA to insure mortgages for this purpose.

However, the significance of this program to the mortgage business of our banks and savings institutions is far greater than the new investment opportunities it may generate. This program is, in fact, directed at saving and restoring the basic values of the city in which you already have heavily invested but which are being dissipated and destroyed through blight and deterioration at an alarming rate.

No group in the business community, it seems to me, has so much to gain through restoration and protection of the good and reclaimable areas of our cities. And no group has so much to lose if we do nothing about it. We have an estimated investment as a nation of nearly $300 billion in our total nonfarm housing supply. At the end of 1953 we had outstanding nearly $65 billion in residential mortgages, in addition to the private and public security represented by the facilities and establishments which support these residential neighborhoods.

Yet we are losing these assets through neglect, through inaction, through failure to organize our community and business resources into successful efforts to protect and conserve our housing and our neighborhoods. The program set up in the new housing bill, however, is not a program to do this for you. The Federal Government is, in fact, powerless to stop this waste. It must be stopped through organized, coordinated action by official and business leadership at the community level.

To correct this steady drift into slums and blight in our cities calls for new vision, new attitudes, and new methods from city officials and leaders such as yourselves in the community business life. Many of you, I know, have already become alarmed as you see losses brought on by declining city revenues and rising expenditures reflected in the mounting taxes imposed on the city's good properties and areas. If you are to protect your own mortgage investments in these properties, you will need to look to the financial soundness not only of your loans, but also of your cities. The Federal Government under the proposals in the new legislation would undertake to supplement your efforts with technical and financial assistance. But the real task rests with you.

Stake of Mortgage Lenders in New Legislation

As mortgage lenders, you not only have a major stake in this program, but with your intimate understanding and knowledge of the city's values, you have a major contribution to make in the correction of these conditions. You must help to establish a workable community plan and to mobilize a coordinated attack on the causes as well as the results of blight.

This means that to save itself from continued decline, a city must forbid the misuse of its properties by revitalizing its housing and related codes and regulations, and by undertaking their vigorous and effective enforcement. This is not merely the responsibility of the local official —it is very much the responsibility of business leaders as well.

It is self-evident that efforts to clear slums, to clean up the rubbish after the storm has taken place, are futile if effective action is not taken to prevent further destruction through effective enforcement of measures needed to prevent blight and deterioration in our housing supply. Any Federal assistance that may be needed to help the community to protect its homes and redevelop its blighted areas can be justified only if the community itself, through its official and business leadership, has first mustered its own forces to see that the spread of blight is stopped and the trend towards slums is reversed. Until and unless that is done, Federal help would be wasted and should not be extended.

It is not enough for the mortgage lender simply to write down values and withdraw financing from areas that have deteriorated. It is necessary that you join with others to examine into the causes of this decline and to help remove the sources of this growing insecurity. Where the security of urban areas is being undermined through disregard of sound standards and lack of code enforcement, it is part of your responsibility to see that such violations are brought to an end and such areas are restored to the protection of law.

But there is more to the problem of rehabilitating declining areas and of clearing slums than protecting and restoring the properties involved. There is also the problem of people who have been forced into the slums, and whose inability to obtain decent housing in the community has made slum property profitable and unavoidably necessary for their housing. With such help as the government can provide, the community will need to find means for rehousing these families in decent quarters and in areas that will not again become slums.

A basic part of this problem is economic, and its solution is not easy. But the problem of many of these families is not primarily an economic one. There are a large number of minority families economically able and willing to pay for decent housing, who have been blocked out of the housing market through prejudice and discrimination in the financing and purchase of good homes.

I know of no single factor that so impressed me during the cross-country tours I made this past year in connection with my shirt-sleeve conferences on the housing problem as the urgency and seriousness of the minority housing problem, repeatedly emphasized by industry, welfare, and local government spokesmen. I was equally impressed with the fact that while the proportion of Negro families is much higher in slum areas, a surprisingly large number of these families could, if given the opportunity, qualify for home mortgage financing under the most conservative mortgage requirements.

This seems to me an anomalous situation, when good business risks can't buy a home because good business men won't let them. I can tell you that from the limited experience we have already had in assisting cities to clear and redevelop their slum areas one fact is inescapable — they won't be cleared until the minority family is given a fair opportunity to obtain decent housing in a decent neighborhood.

I hope that you in your own businesses will at once examine into this problem in your own communities, and will undertake to deal with this situation on the basis of good business sense and responsible business conscience.

But assuming, as I think we must, that those able to pay, regardless of color or race, are given the opportunity to abandon the slums, we also have those who, regardless of race, are still unable economically to afford good housing.

For these families we cannot expect to find basic answers in the normal functioning of sound private credit under existing circumstances. We have tried to deal with this problem heretofore in limited fashion through government subsidies. But it was the judgment of the President's Committee, with which I fully concur, that we should develop as far as we can means short of outright subsidy to bring good housing within the reach of a substantial part of this lower income group who cannot qualify for normal credit or meet rental requirements for good housing.

For that purpose the Committee recommended, and the bill proposes, a new special experimental program of FHA mortgage insurance, which contemplates 100% insured mortgages with terms up to 40 years, in order to make housing available to many of the families who would be displaced by rehabilitation and clearance operations under the urban renewal program.

This program has been criticized I know, on the grounds that such high-ratio, long-term loans in a relatively high-risk market are economically unsound. I think we must frankly admit, that from the point of view of accepted economic standards in the field of private financing, that is true. But this program has not been put forward, nor did the members of the Committee so consider it, as one which could meet the test of all the requirements that are normally expected in private lending.

It is frankly and admittedly a high risk program intended to meet a special and emergency need. It would be my hope that with trial and experience it could be established on a reasonably sound basis. But the Committee felt, as do I, that it was proper and necessary, at this stage at least, for the government to assume a larger part of the risk in order that private lenders could participate with the government in enabling this group to obtain good housing.

Certainly it seems to me that such an approach is far better, where it can be successfully applied, than the use of direct subsidy—better for the family which assumes a responsibility in return for a real opportunity to become independent, and better for the government from the point of view of its ultimate cost.

The Question of Standard Mortgage Requirements

This program therefore has been developed with full recognition that it cannot now qualify for standard mortgage requirements. The mortgage lender therefore is provided not only with FHA insurance, under a separate program, but he may also assign such mortgages to the FHA Commissioner in return for debentures at the end of 20 years, thus limiting his risk more nearly to the normal period for comparable home loans.

I beleive, however, that this special program offers a frank challenge to private enterprise to join in the effort to solve the problem of decent housing for lower income families and to develop alternative means to government subsidy for as many of these families as possible. It is a program that will succeed, in fact, only as private lenders are willing to assume responsibility for helping to solve this need, and to lend their skills and imagination to developing this and other measures for the rehousing of low-income slum dwellers.

Over the past several years mortgage lenders have been supporting the greatest expansion of housing and community development that the country has ever known. It is a striking record, and one that needs to be maintained in the years ahead if our communities are to grow and improve and our economy be kept at a high productive level.

But at the same time that we have been building up new areas, we have been losing old ones. While millions have been newly housed, other millions have been left behind, stranded in slums and substandard structures. We cannot go on moving backward and forward at the same time. It is time that we knew not only what lies ahead, but what we are leaving behind us.

Embodied in the new housing bill is the concept that to meet these problems, to conserve and renew our cities, we must develop a comprehensive coordinated attack in place of the hit-and-miss, piecemeal efforts of the past. But it is even more necessary that the same principle be applied at the community and business level, for the Federal tools that this legislation would provide will lie idle and unused except as they are employed to implement and help carry out essentially private and local programs.

You constitute an indispensable part of the community forces that must develop and execute such programs for housing improvement and community advancement. From you must flow the financial power to turn the wheels of housing and community progress. This bill has been written in the confidence that you and others in the private industry will respond and will lend your full resourcefulness and progressive spirit to this all-out drive for the conservation of our cities.

Consumer Buying Seen Aiding Stability

National City Bank "Letter" says figures give evidence that consumers will respond to attractive offerings, and, despite lower incomes, they have money to buy, "if they choose."

In its review of general business conditions, the March issue of the "Monthly Bank Letter," issued by the National City Bank of New York, points out that a potent force in preventing a spiralling decline into a depression is the prospect of a continued high level of consumer buying. Discussing the widespread sentiment of confidence, the "Monthly Bank Letter" states:

"Undoubtedly a basic reason for this confidence is the belief that consumer buying will hold up. The seasonally adjusted sales of all retail stores other than automotive dealers in January of this year were at approximately the same rate as in December or in January, 1953. Department store sales in the first seven weeks of the year were within 1% of the opening weeks of 1953 and slightly ahead of the same period in 1952.

"These figures give evidence that consumers will respond to attractive offerings. Since prices have been relatively stable for some time, people see little reason to postpone purchases and wait for price declines. Although unemployment is higher and overtime pay lower, the consumer who cannot afford to buy is not, at this time, a major problem. The decline in wage payments is cushioned in some degree by tax reduction, unemployment compensation, accumulated savings, and other influences which help stabilize disposable income. Thus the job is to attract consumers who have money with which to buy if they choose.

"Throughout the postwar period the drive to improve living standards has been a powerful force in the economy. Consumers have been reluctant to curtail their spending, except in cases of prolonged unemployment or a drastic general decline in business. In 1948-49 consumers actually increased their spending during a period of moderately declining income, through saving less. On the whole, individuals did not reduce their liquid asset holdings at that time; they merely added to them at a slower rate. Whereas 5.6% of disposable personal income was saved in 1948, only 3.6% was set aside in 1949. In the latter part of 1953, however, when the contraction was already under way, the rate of saving actually rose. The 7.7% of disposable income saved in the fourth quarter of 1953 constitutes both a cushion for consumers and a challenge to sellers.

"It is too much to expect that consumer expenditures will increase as they did in 1949, for in that year the shrinkage in incomes derived from private production and demand was largely offset by increased government purchases of goods and services, which are not anticipated this year. Nevertheless, it is plain that consumer purchasing power does not follow the industrial production index down at anything like the same rate or to the same extent. As long as demand holds up relatively, an increase in orders and output will eventually take place, if only to fill the gap between production and consumption now being met by drawing down inventories."

Alex W. Munro

Alex W. Munro, partner in Rodman & Linn, Chicago, passed away Feb. 18.

With Founders Mutual

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Frank R. Hall has joined the staff of Founders Mutual Depositor Corp., First National Bank Building.

Joins Nelson Burbank

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Frank A. Rhuland is with Nelson S. Burbank Company, 80 Federal Street.

With Cruttenden & Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Richard Small is now with Cruttenden & Co., First National Bank Building.

With F. I. F. Management

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Ruth E. Gibbs has joined the staff of F. I. F. Management Corporation, 444 Sherman Street.

Gustav Wurzweiler

Gustav Wurzweiler, member of the New York Stock Exchange, passed away on March 2.

LETTER TO THE EDITOR:

Belittles Relation of Currency Supply to Economic Growth

J. F. Eggleston, of London, holds a monetary system, based on age-old honesty does not require complicated legislation with its fantastic "gobbledegook" and its incomprehensible provisos.

Editor, Commercial and Financial Chronicle:

In writing on monetary matters to your publication I feel like the man who has always had to take his bath in a small bucket of water, and who is suddenly provided with a millionaire's bath and all the appurtenances and paraphernalia possible. For it is impossible, even in a country like ours where successive governments are pursuing policies leading us towards a paper money hell, to get anyone to publish a long letter on currency matters. Perhaps when that breaking-point arises, when a man's daily work will not earn him his daily bread, interest in money will be stimulated, but, when that time arises, the lack of a sound logical basis and the long and wide education necessary to take calm and correct counsel will have gone. We could then say, *"Apres cela, le deluge. . . ."*

For that moderate, modest 5% depreciation, or shall we say 3% to 6%, which annually lops its fatal quota from the value of our currency will mean that, in 40 years' time, an electric light bulb will cost £1, in 70 years' time, a bar of soap will cost the same, and in 80 years' time a copy of our newspaper, the "Times," will, by mere arithmetical sequence, cost the rarifying readers £1 sterling. For those who wish to follow further the terrifying sequences of depreciating paper money, they may shudder to know that in 100 years £1 will be worth 1½d and in 200 years 1/30 of a farthing. True, we shall be dead then, but, as our forefathers maintained for 1,000 years the Ancient Right Standard of Silver, till Dalton forged the faulty link, and substituted cupro-nickel, so do we owe a duty to those who will come after us.

I, therefore, look with the utmost disapproval, as also does Dr. Walter E. Spahr,* on the long-range policies of the Federal Reserve in increasing the money supply — aiming at growth and stability. For in that tiny statement are the germs of ruin and decay, of violence and disturbance.

For the increase will be in inconvertible notes when it emanates from the printing presses of the Federal Reserve note printing organization. And an inconvertible note has no interconnected scheme for self-destruction when it has discharged its task of facilitating exchange or production. It will begin to fly from hand to hand, with a tendency to accelerate and both by its presence and by its acceleration produce the well-known effects of inflation.

Let us then consider another instrument of paper money which has almost as many virtues as the paper Central Bank inconvertible note has defects. In this I refer to the cheque, or to a much lesser extent, the promissory note and the Bill of Exchange. These can spring into being, not at the fiat of a group of government officials working on the basis of figures already out of date, but by the volition of a person who is, there and then, about to enter into that marvelous process of buying something material, whether a house, a car, a share, or even a risk of loss or gain as provided by an insurance policy or a future dealing in practically anything. The cheque does its duty, and having done so is condemned, happily, to the process of self-immolation which its very nature enforces on it.

In this lies almost the complete answer. A structure of credit is in the safest hands when it lies with private and commercial banks. The Central Bank, when it issues any notes which are not immediately convertible at the will of the owner into a metallic equivalent, takes the first step towards being a colossal engine of destruction. When one considers the enormous ruins of prosperous cities which flourished perhaps 3,000 years ago, and studies the arid deserts which now surround them; when one considers the Greek ruins in Sicily, and looks at the impoverished shepherds tending their scraggy herds nearby (in spite of the inventions of steam, electricity, aeroplanes, mass production, the telegraph, the telephone) the greatest single answer that can be found for this amazing paradox is that, whereas before, gold went from hand to hand freely, it now nestles behind thrice-barred doors of deep vaults, and, in its place, the paper locusts of inconvertible paper money produce a destruction of wealth which the great engines of production can hardly outdistance.

For, in the modern world, to escape the awful prospect which even now is taking form and shape in so many countries, the gold and silver coin must, I repeat must, come into its own, and the Central Bank must retire from its position of being the world's most powerful and fatal dictator. The Central Bank must stop printing notes, it must buy and sell its own notes against gold over its own counters, it must allow every bank to become as a goldsmith and to buy and sell gold over its counters at a rate, not fixed — for then Gresham's Law would intervene, and drive gold coin into hoards—but fluctuating daily. Let me add, that, in a wide market the rate of gold would move as a pendulum slowing down into shorter and shorter swings. But the segregation of gold by the Central Banks is one of the most devastating human facts which the last century or two have brought about. It has allowed a defrauding of the people of the world of astronomical proportions. Even, to take one of the tiniest examples, the debt of my Urban District Council of Harrow, undertaken by reason of the "Cheap Money" policy of Dalton and his exegetes, would, if expressed in coins of copper, stretch around the world at the Equator, go along the Congo, and Nile and half-way up the Limpopo! But let us not attempt to be humorous in expressing what is a weakening of the conscience of the whole world towards debt—and money represented by inconvertible debts.

Let us then survey the pattern of money, as I would envisage it. I have, of course, not attempted to supply exact figures, for one cannot—and I hope all planners will read, mark and learn this—calculate 24 hours in advance. At a given moment, the United States removes all restrictions on dealing in gold, and becomes a seller itself of gold coin to all comers. Most of the large banks would be supplied with stocks of gold, dealers in gold; goldsmiths and everyone who can should enter the market so that a market rate—a human phenomenon which has taken perhaps 100,000 years of human evolution — might take form and shape. Let us say that on the first day, G-day, there emerged a market rate of 40 paper dollars per Double Eagle; the next day, $40.15; the next, $40.10; and thus, *ad infinitum* the public would know how much their bank accounts, their paper dollars would be worth in terms of gold. The Federal Reserve could be a buyer, a seller, a hoarder, or what have you, the private banks the same, the individual equally.

One must bear in mind, in considering this, that the progress from commodity to money, from money to commodity is imperceptible. In certain circumstances, "money" would be paper and account-money and gold coin a commodity, in a period of absolute quiescence gold coin would pass freely from hand to hand at, shall we say, rates of about 35 paper dollars per double eagle and thus be "money." Let us say that a huge menace to peace arose. Gold would return to being a commodity, but then, as always, the only legislation that should affect gold would be Gresham's Law, for of the hundreds of thousands of regulations passed concerning gold, all will be or indeed have been, tossed aside and Gresham's Law alone remains.

How harmonious could such a currency emerge and withdraw according to the requirements of commerce. There is a boom, and out of 10 million pockets a modicum more gold will percolate into circulation, trade increases and the cheques are created and destroyed in the processes of clearing and final payment, bills of exchange come into being, and are discharged, and the notes would only be increased if the calls from banks could not in the normal way be satisfied. But when the excess of notes is evident, they would flow back into the Central Bank in exchange for gold.

A system based on age-old honesty and liberal philosophy requires no complicated legislation with its fantastic gobbledegook and its incomprehensible provisos, but might indeed be based on the unwritten law of Gresham and the Old Testament, great truths of the "just balance" which to all of us in this planned paradise of parasitism would be as clear water in the desert.

But finally I thank Professor Spahr, a fine and a deep thinker in monetary matters, in having given my thoughts a lead, and "The Commercial and Financial Chronicle" in rendering it possible for a thinker on the other side of the Atlantic frankly and truthfully to express his thoughts in what, in my mind, is the world's greatest problem and which holds the world's fate in its balances, so distorted and falsely weighted at the present time.

Yours faithfully,

J. F. EGGLESTON,
Lecturer to the City of London Society.

16 Parkfield Crescent,
Harrow, London, Eng.

* See Dr. Spahr's article in "Chronicle" of January 21, 1954.

New York Stock Exch. Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes.

Wesley C. Morck, member of the Exchange, and a general partner in Brinton & Co. on March 1 became a limited partner in the firm.

Edwin G. Moeller will retire from partnership in Straus, Blosser & McDowell on March 19.

Mildred T. Vogel will become a limited partner in Spear & Leeds March 18.

Joins David Means

(Special to THE FINANCIAL CHRONICLE)

BANGOR, Maine — James A. Byrnes has joined the staff of David G. Means, 6 State Street.

1954 Will Be a Good Year: Williams

Under Secretary of Commerce says we're passing through period of readjustment in an amazing manner, and there is no reason to believe that 1954 will not be a good year.

Addressing the Convention of the Venetian Blind Association of America in Chicago on March 1, Walter Williams, Under Secretary of Commerce, spoke confidently regarding the business outlook during the current year. Much of this he ascribes to the accomplishments of the New Administration, which, he holds, has started us on the road toward a healthy economic climate. Commenting on the situation, Mr. Williams said:

Walter Williams

"The period of inflation is past. The consumer's price curve has practically leveled off. By wise budgetary policies and teamwork between the Congress and the Administration, 1954 'budget expenditure requests' were reduced approximately $13 billion. I wonder if we often realize what just *one* billion means? There are less than a billion *minutes* in 1900 *years!* Reductions in government spending have been gradual so as not to subject the economic system to sudden severe shock. Nevertheless, much of the water has been squeezed out of the economy without any appreciable adverse effect.

"By reason of these economies it has been possible to reduce taxes. The 10% reduction in personal taxes will produce more consumer 'disposable' income or buying power.

"Direct controls with all of their restrictive effects on business opportunities have been removed. This, in itself, has certainly greatly improved the climate for businessmen.

"This Administration has adopted, and is vigorously pursuing, a strong policy of elimination of government competition wherever possible. For example, the Inland Waterways Corp., owned and operated by the Department of Commerce for 20 years, has now been sold and the government owned synthetic rubber plants are up for sale. In addition, Secretary of Defense Wilson has ordered the Armed Forces to discontinue to the greatest extent possible their operations in processing steel scrap, making boxes, paint, etc.

"This Administration is convinced that there must be improved channels of communication between government and industry so as to provide for a free interchange of information and views. In the Department of Commerce several different methods are now being employed to provide this kind of cooperation. Industry Advisory Groups are called in to advise on technical problems affecting their industry. So-called 'Industry Conferences' have been held with top level executives and trade association representatives of several industries to discuss broad problems of their industry and to advise Departmental officials on matters of proposed legislation, taxation, etc., which have an important effect on the economy. These meetings continue to be held, when requested, industry by industry. To the greatest extent possible, government actions are being tailored to reflect the views and interests of the industries involved. To bring it a little closer to home, the Consumer Durable Goods Division of the Business and Defense Services Administration in Commerce is developing a revision of the Federal Specification on Venetian Blinds in an effort to bring it more in line with your commercial specifications and so remove some of the frustrations of government bidding. This, of course, is being done in cooperation with the General Services Administration which has the responsibility for these 'specs,' and most importantly, with the fullest cooperation of your trade association and industry members.

"I am convinced that these kinds of accomplishments, under this type of leadership, will set our feet firmly on the path to greater economic security, a stronger private enterprise system, and a healthier climate for business in which to grow and prosper.

"We are passing through a period of readjustment in a manner which I think amazes even us. Generally speaking, 1953 was a banner year. There is no reason to believe that 1954 will not also be a good year. However, it will not be a good year because of government hand-out or dole but because businessmen by and large recognize the potential of increased buying power through tax reduction, increased opportunities brought about by a strong new construction outlook and the implications of the ever increasing population of the country. They must work hard and effectively to obtain their fair share of the consumer's 'disposable' income which is in prospect for this year. Let me repeat, this will be a year of hard work for the alert businessman. He will have to accept the fact that we are no longer in a sellers' market. He must improve his operations and his product in order to meet strong competition. However, on the other hand, it will be a period of challenge, of self-satisfaction and accomplishment made possible by wise leadership."

Distributors Group Appoints J. L. Ahbe

PALM BEACH, Fla. — Distributors Group Incorporated, sponsor of Group Securities, Inc., announces the appointment of John L. Ahbe of Palm Beach, Fla. as its wholesale representative in the Southeastern states, with headquarters in Palm Beach, 119 Reef Road.

John L. Ahbe

Mr. Ahbe was until recently Florida manager of Harris, Upham & Co., and before that was for five years in the security business in Palm Beach under the firm name of John L. Ahbe & Co.

Mr. Ahbe began his career in New England as an institutional bond salesman. During World War II he served overseas as an officer in the U. S. Army. His first postwar connection was in a sales promotion and sales research capacity with the Keystone Co., Boston.

He brings to his new assignment the advantages of a broad experience in mutual funds at both the wholesale and retail levels.

Joint Committee on Economic Report Is Hopeful, But Cites Elements of Uncertainty

On Feb. 27, the Joint Committee on the Economic Report, set up by Congress in the Employment Act of 1946, whose Chairman is now Rep. Jesse P. Wolcott (R.Mich.), released its statement on the January, 1954 Economic Report of the President. In dealing with the current economic outlook, the report of the Committee states:

Jesse P. Wolcott

"While recognizing the declines which have already taken place in economic activity, it is well also to look at the future shifts which will be required in the year ahead if the economy is to be maintained at the level of 'maximum' sustainable production and employment. The materials prepared by the committee's staff indicate that a substantial increase in private demand on the part of consumers and for business investment is necessary if the economy is to comply substantially with the ideals of the Employment Act during the coming year. The committee as a whole is confident that any serious further recession can be avoided and that this increase in private demand can take place in the interests of economic stability and growth if the available tools are used in a timely and courageous manner. Our confidence is based upon the following factors:

"(1) There is a general feeling that the basic economy is essentially healthy, in part because of the institutional improvements which have been added over recent decades, and in part because the postwar inflation, serious as it was, has been brought under control without many of the worst and disastrous effects which have often been associated with inflations.

"(2) There is a recognition by those who appeared before the committee and, we believe, by Americans generally that there are powerful, long-run sustaining forces in the economy. These lie in the needs of a growing population and in the capabilities of an enterprise system which is constantly opening new vistas for new products through large-scale research and developmental expenditures.

"(3) While members of this committee differ as to the relative emphasis which should currently be given to the encouragement of investment expenditures and to the encouragement of expanded consumption, the committee is unanimous in recognizing the spirit of the Employment Act itself as a strong reason for viewing the transition years optimistically. If the government accepts its responsibility to create a climate and to pursue programs which will advance the objectives of the Employment Act, we believe that complementary private demands for investment and consumption will be sufficient to forestall serious economic declines and to bridge any deficiency or 'gap' which may appear.

"(4) Confidence is further reinforced by the assurance, not only that the Administration is prepared to use the powers it now has, or has recommended, if the downturn continues, but that a variety of additional tools and devices are available. While we suggest that an interesting and provocative list of specific measures might be presented, we recognize also that no such list could be complete or anticipate all of the devices which might be acceptable in the face of need. We agree, however, with the President in his statement that 'the arsenal of weapons at the disposal of government for maintaining economic stability is formidable.' We must be prepared to use these weapons as need arises.

Elements of Uncertainty

"Over against these reasons for confidence, no judgment of the outlook can afford to ignore elements of uncertainty in the current situation. Specifically some of these are:

"(1) It is only proper to recognize that the extent of involuntary unemployment may not be fully reflected in current statistics. Available information upon the degree of involuntary short work weeks and of short-term layoffs, as well as of reasons for apparent withdrawal from the work force fall short of expressing fully and promptly decreases in employment arising from such forms of underemployment. Public confusion respecting the situation has moreover been inevitable in view of the number of different series currently issued no matter how useful the individual series may be in themselves. The committee believes that these limitations in our statistical knowledge are serious and that the agencies involved should promptly seek to remedy the present situation so as to assure the utmost in accuracy and consistency in the various series relating to employment and unemployment. The committee staff materials analyze these limitations in some detail. We endorse the recommendations set forth to correct the situation and urge the Bureau of the Budget to exercise its statutory authority to put them into effect. The Appropriations Committees are urged to recommend sufficient financial support for those and other statistical programs of the executive agencies.

"(2) The recent decline in economic activity has sometimes been characterized as an 'inventory adjustment,' and has been in this respect likened to the economic adjustments experienced in 1949. It would be a mistake, we believe, to conclude from any superficial similarities between the two periods that similar forces can be wholly relied on in the present situation to bring about the desired stabilization and growth. The slackening of business activity in 1949 came at a time when the tremendous backlog of automobile, housing, and consumer durable demand inherited from the period of wartime restrictions was still largely unsatisfied. The current situation differs in that much of the compelling drive inherent in this type of pent-up demand is no longer present.

"(3) It is highly important, in forming a judgment as to the outlook at this time, to recognize that we are now face to face with the hoped-for possibility of reduced defense expenditures. While the forces making for contraction may be no more serious than a minor readjustment in the economy, they are occurring at a time when a basic and fundamental shift in the Federal Government's position as purchaser and consumer of goods and services is taking place. The necessity for reorienting and strengthening our economy in line with this basic shift, regardless of whether it is of longer or shorter duration (assuming, of course, no worsening of the international situation), should not be overlooked."

Economic Aspects Of Counterfeiting

By PAUL EINZIG

Dr. Einzig, in calling attention to reports of counterfeiting of Bank of England notes on the European continent, discusses economic effects of widespread counterfeiting. Finds counterfeiting has an inflationary impact and, when accomplished by foreign counterfeiters, this effect is intensified.

LONDON, Eng.—A syndicate engaged in counterfeiting one pound and 10 shilling notes of the Bank of England is reported to have been discovered on the continent by Scotland Yard. It is said to have produced a very large quantity of forged notes, and to have made elaborate plans for passing them on in Britain during the coming tourist season. The authorities have taken appropriate measures to frustrate the plans. Before very long this matter is likely to come before the law courts of more than one country. Its legal aspects need not concern us, but it may perhaps be of some interest to consider briefly the economic aspects of note forgery.

Dr. Paul Einzig

Obviously, the issue of counterfeit notes is inflationary, for it tends to create additional purchasing power without creating additional supplies of goods available for purchase. Now inflation through the issue of paper currency has always been a government monopoly. Despotic rulers in medieval China and democratic governments in the modern era, were equally determined to uphold this privilege. So counterfeiters of notes are guilty not only of forgery but of infringement of the government monopoly of currency inflation.

The inflationary effect of putting forged notes in circulation tends to be rather more pronounced than that of the legitimate issue of a corresponding amount of notes. For those engaged in passing on the forged notes usually spent freely and in haste. It does not matter what a haste. It does not matter what they buy and how high prices they pay so long as they get back the change in genuine currency. So the placing of forged notes on a large scale means an indiscriminate spending spree. And the recipients of easily earned money are themselves likely to spend it easily.

This brings us to what the economists call the "multiplier" effect of additional spending. The additional purchasing power created through the issue of forged notes does not vanish into thin air once the shady individuals engaged in the task of passing them on have made their purchases. It is exercised by the recipients of the notes who are in a position to spend more than they would have been if they had not received the notes. And this process is repeated again and again, until the additional purchasing power disappears either through note hoarding or through tax payment. Even the use of the notes for payment into a bank account or for debt repayment does not end their career as a factor making for inflation. For additions to the banks' cash reserves enable the banks to grant credits amounting to several times the amount of the additions. And the repayment of debts enables the creditors to lend the money again.

During a period of rising prices counterfeiting adds to the flood of inflation. It tends to offset the disinflationary measures of the authorities. It adds yet another to the incalculable factors monetary policy has to cope with. During a period of business depression, on the other hand, the issue of forged notes tends to reinforce the government's reflationary policy. Many economists hold strongly the view that, in order to get out of a deflationary spiral, there is every justification for governments to spend on utterly useless public works—and as digging holes in the ground and filling them up again—for the sake of creating employment and purchasing power. In such circumstances it is arguable that counterfeiters may even render a public service by assisting the government in its task and by relieving the taxpayer of the necessity to finance sooner or later the reflationary public works.

The economic aspects of note counterfeiting were subject to searching inquiry on the occasion of a notorious lawsuit arising from the issue of counterfeit Portuguese notes in the early '30s. The London printing firm Waterlow & Sons, misled by false credentials, printed Bank of Portugal notes and delivered them to unauthorized persons who put them into circulation for their own benefit. The amount involved was considerable, and in order to save the large number of recipients from losses the Bank of Portugal redeemed the notes. It claimed compensation from the printing firm and the matter was brought before the British law courts.

The main question which had to be decided was whether the Bank of Portugal was entitled to claim the full nominal value of the notes, or only the cost of issuing new notes against those withdrawn. The House of Lords, before which the final appeal was heard, decided that Waterlow and Son had to pay the full amount. Even though the Bank of Portugal's loss was in practice limited to the cost of the replacement of the notes, its liabilities have increased by the addition to its note circulation. And Portugal as a country was entitled to compensation for the additional purchasing power distributed among hundreds of thousands of people who, through the possession of the notes, have acquired a claim on a corresponding section of the national wealth.

Even so, the judgment was regarded with mixed feelings by lawyers and economists alike. It produced a substantial net addition to the Bank of Portugal's foreign exchange reserve. There are few Central Banks which would not be prepared to issue additional notes in return for a corresponding increase of their holdings of sterling. And the execution of the judgment brought a substantial invisible export to Portugal.

From the point of view of the balance of payments of the country whose notes are forged, it makes a considerable difference whether the counterfeiters reside within or outside the country. If they are residents of the country the transaction merely means a redistribution. The forgers make a profit at the expense of the community which has to bear the burden of the increase of prices brought about by their operations, but the country as a whole is no worse off. Indeed if the operations take place during a depression the community as a whole may even stand to gain. On the other hand, if forged notes are introduced from abroad then the proceeds on the transaction constitute a burden on the balance of payments. This would be the case with the Bank of England notes which were intended to be introduced to Britain from the continent. It would be interesting to see, should any of the offenders be caught in the act of introducing such notes, whether they would be charged not only with possessing and passing on forged notes but also with an offense under the Exchange Control Act, under which the import of Bank of England notes above a certain amount is prohibited. Clever lawyers would no doubt argue that the notes, not being genuine, were not in fact Bank of England notes and therefore their import did not constitute an offense against the exchange regulations.

Any attempt on the part of the counterfeiters or their agents to withdraw from Britain their ill-gotten gains would of course constitute an offense, unless they reside within the sterling area. The non-withdrawal of the proceeds would mean an increase of foreign-owned sterling balances, which again is an additional loss to the country.

Wm. D. O'Connor With Geyer & Co., Inc.

William D. O'Connor has become associated with Geyer & Co. Incorporated, 63 Wall Street, New York City, specialists in bank and insurance stocks. Mr. O'Connor was formerly for many years with Fitzgerald & Company, Inc., as manager of the bank and insurance stock department.

W. D. O'Connor

With Brush, Slocumb

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Stephen A. Netherton is now connected with Brush, Slocumb & Co., Inc., 1 Montgomery Street, members of the San Francisco Stock Exchange.

J. Barth Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Anada J. Micoud is now with J. Barth & Co., 404 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

With Hannaford & Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Charles Weston has joined the staff of Hannaford & Talbot, 519 California Street.

Stewart, Eubanks Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Harold G. Linfield is now with Stewart, Eubanks, Meyerson & York, 216 Montgomery Street, members of the San Francisco, and Los Angeles Stock Exchanges.

This announcement is under no circumstances to be construed as an offering of these bonds for sale or as a solicitation of an offer to buy any of these bonds, and is published in any State on behalf of only such of the underwriters, including the undersigned, as may legally offer these bonds in such State. The offer of these bonds is made only by means of the Official Statement.

Interest on these bonds, in the opinion of counsel, is exempt from all Federal Income Taxes under present laws.

NEW ISSUE

$37,000,000

State of West Virginia

4⅛% Turnpike Revenue Bonds (Series A)

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Dated: March 1, 1952

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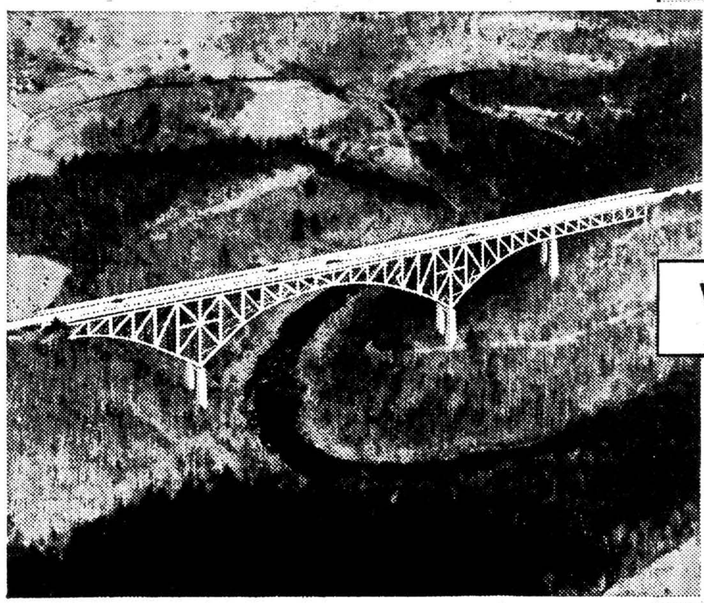
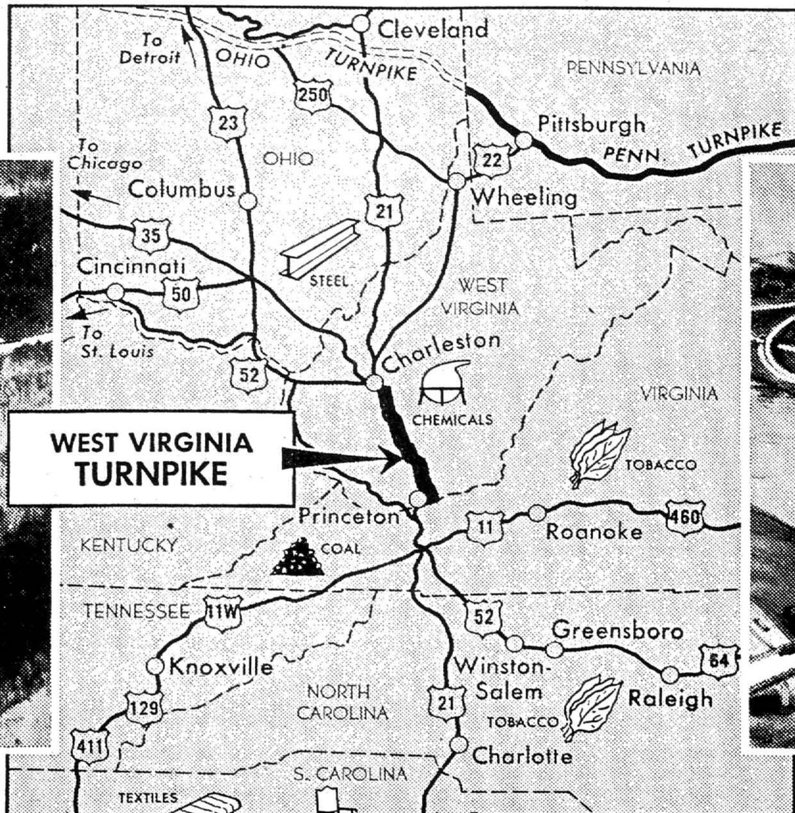


Bluestone River Bridge sketch. Construction now well along; full completion and also that of entire Turnpike set for August 1, 1954. Bridge, located 10 miles north of Princeton, will tower some 300



Kanawha River Bridge (2,166 feet long) and traffic interchange, from engineers' sketch. Located on the Turnpike, 3 miles from Charleston. Foundations are essentially complete and steel erection

Continued from first page

As We See It

much that is unfortunate and so much that is needed that the dispassionate observer hesitates to agree with the extremists on either side of current controversies.

Obviously, the outbursts of Senator McCarthy are frequently inexcusable. Often, he is obviously trying to gain political stature by claiming credit for disclosures which are not disclosures at all. Plainly, he is either unaware of or indifferent to the hazards he is creating to the very America that he is trying to protect. On the other hand, from day to day it becomes again and again and again evident that there is need of something or other which will arouse and invigorate many executive organizations in their effort to deal with the insidious work of the agents of the Kremlin.

Not Impossible

The President is right in believing that there is no reason under the sun why the one might not be accomplished without introducing the other. And if the Senator were to handle his assignment consistently in a way more in keeping with the spirit and traditions of this country, he could proceed with the utmost vigor and still avoid the damage and the dangers inherent in acting otherwise. Let there be no mistake about it—what he is now doing is beset with hazards of the first order of magnitude to us all.

Among these hazards are those which are almost certain consequences of a failure to present a Republican program and actually enact it into leglislation. The Administration working with committees of both houses of Congress has developed an extensive program. Some of these proposals are highly desirable, almost essential for further progress toward the general welfare of the public. Some of them are not to be desired; still others are still in a stage where it is a little difficult to adjudge them. All these, or certainly the larger part of them, must be dealt with in a business like way before Congress adjourns this year.

Failure to do so would certainly open the Republican party to the charge of incompetence if not trifling with the public weal. It could be used most effectively to begin the process of getting the New Dealers, the Fair Dealers and their kind again into power. Almost anything is to be preferred to such a calamity. With all its shortcomings and with all its failure to shake off the influence of the nonsense of the past three decades, the regime now in power is infinitely to be preferred to another quarter or half century of the like of Franklin Roosevelt and Harry Truman.

Let the fact not be overlooked that it was from all appearances the personal popularity of General Eisenhower and not any convulsive revulsion to the New Deal and the Fair Deal that changed the party label on the White House door and gave to the Republicans a small advantage in Congress. All legislators and all officialdom in Washington with the good of their country at heart should feel it their first duty to do all that they can to encourage by a good record this year a thorough popular awakening to the serious shortcomings of all political philosophies and tactics such as those of the New Deal and the Fair Deal.

A Good Record Essential

Essential to any such endeavor is a good, constructive legislative record this year, and intra-party squabbles are getting definitely in the way of that record. Some progress, although very slow progress, is being made in the matter of taxation. It definitely remains to be seen, moreover, whether a fear of the forthcoming election contests will lead Congress to shy off from the constructive parts of the tax program now in preparation and to embody in it quack remedies designed (although without warrant) to head off a depression mortally feared by the politico managers of the Republican party. The rate of progress needs to be speeded up sharply in this matter.

There are also other large areas in which the Administration and the Republican party must make a constructive record in the very near future. The whole question of our foreign relations, including both trade and foreign aid, awaits action. It may well also await the development of sharply divergent views within the party. But whatever the ultimate outcome, the party can not afford to make a record of being unable to make up its own mind or to get anything done. It was this sort of record which made it possible for Franklin Roosevelt to seize the initiative and at points assume authority for which neither American tradition nor the American Constitution gives sanction. It could now lead to a return of that sort of tactic by just that sort of individual.

It would appear that there are sufficiently strong and constructive elements in Congress to improve upon the program of the Administration, where improvement is needed, and to get constructive legislation to the statute books. Why can it not be done?

Continued from page 9

Investment Research in Present Economic Situation

consumers' durable goods, obviously in excess of the needs for current replacement and population growth, were creating new purchasing power that generated a second round of demands.

Fact 2—All of the foregoing activity was accompanied by the sharpest expansion of non-government debt that we have ever had in our history. It can be demonstrated that heavy-type expenditures were dependent on the debt expansion factor to an unprecedented degree. Debt expansion in the postwar years has exceeded the percentage rate of such expansion that was recorded in the final five years of the 1920's, which history has recognized as a period of excess debt expansion. There arises a question as to whether the economy can continue to spend this much beyond its earning power indefinitely.

Fact 3—In addition to building "inventories" of durables in the hands of consumers and "inventories" of plant and equipment in the hands of business, part of the business activity we have seen is accounted for by the increase in operating inventories.

The Department of Commerce figures for manufacturers of durable goods show that the ratio of inventories to shipments at the end of December, 1953, was high. New orders booked throughout the second half of 1953 were in a declining trend, with the December figure the lowest since May of 1950. Shipments were also in a downward trend in the last four months of last year, but new orders received in the last quarter were 19% below the rate of shipments. An inventory adjustment would seem to be a logical expectancy, but it is going to be difficult to accomplish in the light of the downward trend of shipments and new orders. The condition suggests a further intensification of competition in an effort to stimulate sales and reduce inventories.

Fact 4—For some time, the rate of new instalment debt granted exceeded the repayments that were required to pay off instalment debt. That is why outstanding instalment debt was rising. Thus, for the 12 months ending last March, this factor was pouring money into the spending stream at the annual rate of $4 to $6 billion in excess of the funds that were being withdrawn from purchasing power for repayments on this debt. The spread between new instalment debt granted and repayments has now closed up so that there was no net balance of contributions to the economic stream in December on a seasonally adjusted basis. In the fourth quarter, repayment requirements were a record 10.9% of personal disposable income.

This is merely one evidence to support the argument that the income brackets that represent the mass markets now have a "high break-even point." Their "fixed charges" for instalment and mortgage debt interest and amortization have been rising sharply, and so have their operating expenses for food and necessity-type services. Thus, a moderate decline in disposable income would probably squeeze the narrow margin between income and required expenditures. Unfortunately, however, an important portion of personal income has been dependent on the rate of debt expansion, so that the mere flattening in the trend of debt would mean a loss of personal income.

It certainly seems to me that there is contained in the foregoing factual data ample justification for the suspicion that we have passed the crest of one of the longest periods of unusually high activity and sharpest private debt expansion that the nation has ever seen. That is the reason why an investment manager is likely to make some serious errors if, in his appraisals of investments, he looks upon the experience of the postwar years—and especially the experience of the 1951-53 years—as normal. Furthermore, I think it is highly debatable to contend that it is wise to try to sustain that rate of activity as if it were normal. By so doing, I am afraid that we would merely prolong and enlarge some of the maladjustments. After all, there is such a thing as temporary saturation in the demand for consumers' and producers' durable goods.

It seems to me that a discussion of these facts does not involve any question about the desirability of obtaining objectives that are in the best interest of the economic welfare. The differences of opinion surround the question of how much expansion the economy can digest at one sitting. The welfare of a person who has a fundamental ailment is not benefited by encouraging him to avoid medical diagnosis and prescription.

At least from the viewpoint of the investment manager, a comprehension of the foregoing economic background is vital to the proper interpretation of current developments and their effect on investment values. Since it is statistically provable that we have had an unsually prolonged period of unusually high business activity — entirely aside from the military program — dependent to an unusual degree upon sharp expansion of non-government debt, then economic history dictates that we should examine each period of easing in business activity to see whether that period might develop into a major adjustment.

Possible Steps of Government to Avoid Depression

As you know, since last summer the percentage decline in business activity has approximated the percentage decline from the 1948 high to the 1949 low. This seems to have been a little sharper than was anticipated in Washington only a few weeks ago; and, consequently, we have to examine as carefully as possible what steps may be taken by the government to counteract the downward tendencies in business.

The assurance of a very easy money policy is an element that we cannot afford to overlook. From an economic viewpoint, we must remember that some of the earlier periods of major business adjustment were aggravated in varying degrees by tight credit conditions. At the present time, there is every indication that the credit situation will not be a negative force, but rather it will be trying to function as a positive force. I presume that it is as evident to the monetary authorities as it is to us that the high level of purchasing power creation of recent years has been dependent to an important degree upon the high rate of debt expansion. Hence, we see the reason for a credit policy propitious to debt expansion.

Nevertheless, I doubt that easy credit will encourage the dynamic heavy-type expenditures at a time when there is so much evidence of temporary saturation in the supply of producers' and consumers' durable goods, and when the resultant threat of keen competition casts considerable doubt on the prospective level of earning power. From the viewpoint of business activity, therefore, the money and credit factor is not likely to be an aggravating depressant; but, on the other hand, I doubt that it will have any great stimulating effect on business activity.

However, we have to consider this money supply factor as an element that will tend to further increase the demand side of the supply and demand equation for investments. Where other things are equal, the assurance of a large money supply suggests a continuation of unusually low yields and a good demand for the best quality investments.

Improved Government Attitude Toward Business

Another point to be considered in the present situation is the improved attitude in Washington toward business. It has been so many years since business did not have to fear attacks from Washington that it is very difficult to judge the economic effects of a cessation of raps on the head with a sledge hammer. Clearly, this is a plus factor of considerable importance.

Thus, on the favorable side of the current situation, we may tabulate this confidence factor with all of its unpredicable possibilities — including the prospect for further restoration of investment incentives—and the assurance of a very large money supply.

On the unfavorable side, we have: (1) the broad economic background that I have already outlined, (2) the evidence of an unsatisfactory inventory condition in the important durable goods industries, (3) accumulating evidence that there is temporary saturation in the demand for producers' and consumers' durable goods, (4) the possibility of a slackening in the rate of debt expansion that has been creating part of our purchasing power, and (5) the threat that a moderate decline in personal income will develop a squeeze against the "high break-even point" of individuals.

This is a set of conditions that must be considered very carefully by the investment officer as he formulates his investment decisions. To be a bit more specific, an analysis of any type of investment should recognize that the financial record of a business or an individual for the past several years may be an insecure base for judging the earning power of the next two or three years. We should examine the effects on each investment of a somewhat lower level of general business activity. This applies to mortgages and bonds, as well as to common stocks. Furthermore, we must analyze the supply and demand conditions of each industry. Many industries are overexpanded; and, consequently, they are going to encounter difficult competitive conditions—if they have not done so already. We have already seen industries that constitute practical examples of this condition, and it might have been embarrassing to hold the securities of the companies whose earnings suffered sharp declines. The same thing, in my opinion, is going to happen in numerous other industries. It is extremely difficult to forecast the intensity of competition and its effect on profit margins and earnings. However, the experience of textiles, antibiotics, and lead and zinc would seem to suggest that there is no reason to be sanguine about the profit margins that will be shown by other industries as they encounter the competitive tests. I think that all of this is particularly important in the selection of individual investments. Especially do I have in mind here second quality bonds and, in some instances, individual mortgages.

Perhaps in my desire to protect the investment manager from the embarrassment that results from injudicious investments, I tend to overemphasize the negative aspects of the situation. That is a major difficulty in making a talk of this type; there is a strong tendency to carry away only the extremely favorable or extremely unfavorable implications, whereas it is my purpose to encourage the application of the favorable forces to some investment situations and the unfavorable forces to others.

I realize, of course, that it is impractical for the investment officer to hold the funds of his accounts in a 100% defensive position. As a matter of fact, I doubt that such an extreme position can be justified by a balanced appraisal of the facts of the present situation. When it comes to passing judgment on investments of top quality, where there is good reason for concluding that the earning power behind the investment is stable, I am inclined to put the emphasis on the favorable factors, especially the large money supply and the improving incentive to invest. In this category, I would include good bonds and mortgages and even a fair number of common stocks.

My emphasis on the negative factors is caused by my conviction that many otherwise good investment records are going to be ruined because the investment portfolio includes a few "lemons." As I diagnose the effects of economic conditions on individual industries and companies, I think that the basket of investment fruit that we have to choose from does include quite a few lemons.

Conclusion

I am sure that you all realize that a thirty-minute discussion of this type cannot take up every problem of the investment manager, or all of the numerous broad forces that have a bearing on our subject. It has been my purpose this morning merely to point out some of the items that seem to be of the greatest importance at the moment. Within these limitations, I have directed your attention to the following:

(1) The investment business has become more highly specialized. We must realize that the better quality and widening scope in the application of investment research work has, in itself, become a force that is influencing the demand for the different types of investment. If our commitments are to be timely, it is vital that our research should be alert to changing conditions.

(2) As an integral part of this intensification of investment research, the investment officer must take on many of the functions of the economist. Not only is it vital for him to give full consideration to the supply, demand, and competitive conditions of an individual industry, and their effect upon earning power; but he must also consider the broader economic forces as they stand in relation to a probable normal. The evidence suggests that business conditions in recent years have been abnormal; and as an adjustment is made down to more normal levels, we should try to anticipate the probable effects upon our investment commitments. But this adjustment should be viewed in balanced perspective. Try to avoid the "lemons," but don't generalize so much in that direction that you pass up the sound values.

(3) My diagnosis of the current situation impels me to suggest that your investment commitments should be carefully reviewed, with the foregoing thoughts in mind, now.

Chicago Analysts to Hear

CHICAGO, Ill.—At the March 25 luncheon meeting of the Investment Analysts Society of Chicago, the industry to be discussed will be the Continental Can Co., Inc.

San Antonio Dealers Honor James Day

SAN ANTONIO, Tex.—A dinner in honor of James Day, President of the Midwest Stock Exchange, was held in the Pereaux Room at the St. Anthony Hotel on March 5. Sponsors of the dinner were Russ & Co., Dittmar & Co., Rauscher, Pierce & Co., and Dewar, Robertson & Pancoast. About 75 of the leading bankers and industrial leaders of San Antonio were present as special guests, as well as the other investment bankers of San Antonio.

Mr. Day delivered a most interesting talk on securities in general and the workings of the Midwest Exchange and general business conditions.

To Form Drachman Co.

Nathan Drachman and Harvey Drachman, members of the New York Stock Exchange, will form Drachman & Co. with offices at 120 Broadway, New York City, effective April 1. Mr. Harvey Drachman has been active as an individual floor broker.

Mutual Funds & Secs. Co.

DALLAS, Tex.—Mutual Funds & Securities Company has been formed with offices at 5614 Swiss Avenue. O. B. Bohny is a principal of the firm.

N. K. Rosen Opens

Norman K. Rosen is engaging in a securities business from offices at 5210 Broadway, New York City.

New Shuman, Agnew Branch

SAN MATEO, Calif.—Shuman, Agnew & Co. have opened a branch office at 57 East Fourth Avenue under the management of James T. Love and Edwin E. Hendrickson, both of whom were co-managers of Hooker & Fay's San Mateo office.

Midwest Exch. Members

CHICAGO, Ill. — The Midwest Stock Exchange has elected to membership the following: Dominick R. Comenzo, D. R. Comenzo & Co., New York, N. Y. and Alfred J. Betar, Arthur M. Krensky & Co., Inc., Chicago, Ill.

Continued from first page

A Look Ahead

leadership which now emerges, and (3) what the principal economic groups in this country—consumers, businesses, and government—will be doing this year to affect business and banking activity.

Let's Take a Longer Look Ahead

The greatest single neglect in American business and banking, in my opinion, is longer range planning. The risks of trying to forecast any business over an extended period admittedly are great, but the risks of not forecasting almost certainly are much greater, for every policy decision made today has an important bearing upon our business, not only tomorrow and next week, but also over the months and years ahead.

In banking and business generally, we all know too well how quickly time passes. Looking ahead from 1949, five years ago, the current year 1954 seemed far off; yet here we are! Similarly, 1959 may now seem so remote as to defy prediction and planning. But it is really not very far away. Consequently, we cannot afford to ignore the longer range future.

The most descriptive word of what lies ahead is change. Not to forecast—that is, not to plan—is to imply no changes lie ahead. A moment's reflection will show this type of forecast is absurd in our dynamic economy. A review of banking and credit operations during the past five years in itself clearly reveals that ours is a changing economy. Who is to say that further changes are not in the offing? Do we have plans to anticipate and meet impending changes in our businesses? We should.

Perhaps you'll bear with me while I peer through the murky economic mist to try to discover some clues as to what we may expect during the next few years.

We've already found considerable uniformity of opinion about the general business outlook for 1954. I find far less agreement, however, over whether business will be (1) recovering—i.e., moving up—at the end of this year, or (2) sliding down into further depressed conditions. In forecasting jargon, "saucerites" and "sliders" are now about evenly balanced. "Saucerites" describe those forecasters who feel that general business will drop gradually during the first half of 1954 but begin to pick up by fall—following in general the contour outline of a saucer. In contrast, the "sliders" anticipate a fairly persistent downward trend throughout 1954. Both groups, keep in mind, believe overall 1954 business will average only moderately under 1953. It should make considerable difference in planning, however, whether the worst phases of economic adjustment will be over this year or whether still more economic trouble lies beyond.

All of us no doubt would very much like to believe that prevailing economic adjustments will come to an end this year. There are good indications that general business will recover at least seasonally this fall. We will be fortunate, however, to check completely in 1954 such downward pressures as reduced capital outlays and possibly defense expenditures which promise to "test" the economy at least as much in 1955 as during the current year. Let us appraise these longer range developments more closely.

On all sides, we find spectacular evidence of the tremendous growth ahead for our national economy. The record-breaking birthrate—nearly 4 million babies last year—is publicized continually. Moreover, it is well known that later in this decade and in the 1960's we can confidently expect the rate of new family formations to rise sharply as the children born during the late '30's and early '40's reach maturity. The people are alive today in sufficient number to provide the basis for another great boom five to eight years hence.

Confidence in the longer range outlook for the country doesn't rest alone on the quantity of our population. Qualitative factors will be equally important. Substantially higher incomes considerably greater education, and living experiences under a period of extended boom obviously combine to exert rising pressures for still better living conditions.

The surest forecast one can now make is that our nation will continue to grow vigorously over the years ahead. Competent managements in banking and other fields, therefore, should concern themselves less with the question of whether they will be doing increased business in future years, and more with the questions of how and when their businesses will expand. At no previous time in American economic history could we look forward with greater confidence to longer range higher levels of production, employment, income, and earnings than now.

As much as I thoroughly subscribe to this exceedingly encouraging view of the longer range business outlook, I am, nevertheless concerned by the tendency of some observers to assume that these strong secular trends will automatically eliminate the business cycle. Great strides have been made, both publicly and privately, to minimize sharp swings in business activity. Moreover, a severe economic recession or depression in the United States is generally conceded to be tantamount to political suicide for the party in power.

There is danger, however, in any assumption either that (1) economic weakness cannot occur, or (2) a persistent downward trend can always be quickly reversed. I agree with most analysts that a major downturn is now very remote. This is not because I believe on economic grounds it couldn't happen, but rather because of my conviction that as a nation we are better prepared to check weakness before it gets really out of hand. Moreover, those in positions of economic responsibility throughout the country more than ever are determined to take positive steps to combat "recession" tendencies whenever they may appear. The economy is far too dynamic and complex, however, to expect an end to all business fluctuations. Even if this could be achieved, such stability would come at the expense of individual initiative and longer range growth.

For more than two years, the American economy has been experiencing a period of "rolling adjustment" during which industry after industry has returned to more normal selling and competitive conditions as supplies have caught up with demand at prevailing prices. This prolonged "rolling adjustment" has been very fortunate and to some degree a unique economic experience for the nation. While adjustments have been acute in particular industries and areas, scattered expansions have offset declines and the overall situation has remained strong.

More recently, several key heavy goods industries—for example, steel, automobiles, and machinery—which enjoyed abnormal sellers' market conditions longer than most industries, have finally entered their own period of adjustment. It is well recognized that changes in these heavy goods lines tend to have a more far reaching and deep-rooted impact upon the economy than changes in many other industries.

As any one who studies our economy can plainly see, American industry in no way has begun to stagnate. It seems logical now, however, to expect a temporary period of reduced investment to follow the extended period of record-breaking additions to new plant capacity touched off by huge war and defense requirements. New "growth" products are being born each month as the expanded activities of research and development centers across the country more and more bring into reality the hopes and dreams of both investors and scientists. But there is little indication that these stimulating developments will occur in sufficient volume to offset completely the temporary, moderate contraction in investment looming in basic productive capacity and perhaps in many durable goods as well. Many sustaining economic forces are readily evident throughout industry, but the next few years do not seem to offer too much promise of major "automatic" expansionary forces such as have been operating in the economy in recent years.

My longer range outlook for business thus involves two fairly distinct periods: (1) one from now until a few years later in the decade (e.g., 1956-59) during which the economy will face a continuing test to maintain economic momentum despite an underlying growth trend, and (2) a subsequent period of indefinite duration beginning toward the close of the decade and persisting in the 1960's when the economy faces the huge task of meeting the rapidly expanding needs of a maturing wave of young adults as well as the continuing demands of the public at large for better living standards generally.

The Challenge to Leadership

The year ahead (and probably a few years beyond) thus becomes a period of great challenge to leadership in this country. The challenge is to find sound means of bridging what can be a moderate economic gap between the boom conditions of the early '50's and the resumption of still greater boom potentialities later in this decade.

At the moment, our country is experiencing a period of what might be called "dynamic doldrums." Put another way, the overall level of business is still excellent by almost any standards; but economic barometers typically are static or moving slightly downward. There is danger now that a deflation in particular industries and areas will prove to be a powerful inflationary force by touching off hasty and unreasonable demands for public actions which could serve to postpone rather than eliminate certain fundamental economic weaknesses. One critical aspect of the challenge to leadership in government, business, and labor thus becomes keeping perspective on economic developments. We must not allow ourselves to be stampeded into drastic and unwarranted actions either on the inflationary or deflationary side. Continuation of the healthy "rolling adjustment" is the best means of eliminating uneconomic products, policies, and practices in the interest of attaining greater efficiency in operations which will insure greater values to the consuming public and strength to the economy.

Any forecast, in my opinion, which does not offer some possible solution to the problems raised is sadly lacking. A forecast is the starting point in policy-making and certainly not the concluding point. I've tried to show that short term expansionary forces in the economy, aside from those generated by some new national crisis, are likely to be less pronounced over the next few years than at any time since the end of World War II. My suggestion for meeting this challenge is that we "dig deeper" to find new private opportunities for maintaining robust national economic health. Where would our economy be today without the creative use of credit? You bank executives can take great pride in the part which you have played in the growth of such major industries as automobiles, major appliances, and their numerous supporting lines. But none of us can rest on our laurels in this changing economy. The nation needs still more creative credit policies, and particularly in the period we are now facing.

I am convinced that leaders in banking and elsewhere in business by careful investigation in their own fields can uncover profitable opportunities to help bridge whatever economic gap may be in the offing.

Let me illustrate what I mean by reference to a market which is important to your business and to ours—residential construction. We all remember vividly the acute housing shortage during the early postwar years, and particularly the desperate housing crisis which confronted veterans who sought homes for their families. The national housing situation has now improved greatly because over eight million new homes have been built since 1945. A real tribute is due to every one in finance, labor, industry, and government who helped meet the most urgent postwar housing needs.

The peak of the new home building boom was reached in 1950. A gradual down trend in residential construction has occurred in the subsequent period. The outlook for 1954 is for further slight reduction in the number of new homes to be built, from roughly 1,100,000 units last year to around one million in 1954.

Quite understandably, many interested people in banking and elsewhere are now expressing deep concern about the future of the home building industry. Although the postwar housing boom has lasted much longer than generally expected, there is widespread belief that every one associated with residential construction must now bide his time at a lower level of activity for several years until the upsurge in new family formation generates the basis for another still greater housing boom.

Nothing could be farther from the truth, in my opinion, for there exists today a tremendous opportunity in the residential building field for private enterprise to maintain a high and healthy level of activity in this important sector of the American economy.

Actually there is little reason to anticipate that the level of new home building will decline sharply in the years just ahead. Reduced, but nonetheless still substantial, numbers of new families being formed, continued population movement, demolitions, and losses should support a level of at least 800,000 new housing units annually over the next few years. This level is high by all but the most recent experience. But it is well below the 1,400,000 new homes started in 1950, and it should be added, considerably under the rate of new homes to be built once the family formation rate begins to move up at the close of the decade.

How can the residential building industry be stabilized in the years just ahead? The opportunity lies very convincingly in combining this temporarily moderate level of new home construction with expanding work in the "fix-up" field (i.e., repair, maintenance and modernization).

The population of the country certainly is not adequately housed, but the pressing need over the next three to five years will be less for entirely new housing units and more for additional living space in present homes. In fact, the nation is now entering a period of acute space squeeze as record numbers of children begin to outgrow their living quarters. Since the end of World War II, predominantly small homes have been built. The unprecedented increases in second, third, and fourth births per family now pose serious housing problems to most young families.

The answer to the mounting space problem must be found to a considerable degree in improving existing dwelling units, either utilizing unfinished areas already available, or by adding a room or two. In addition, there are sizable "fix-up" needs generally among the 35-million homes in this country which are neither very new nor so badly dilapidated as to be beyond repair. More than half of today's homes were built before radio, major appliances, television, and automobiles were invented or in common use. Moreover, these same homes overwhelmingly reflect the tastes and pocketbooks of people with grammar school educations. By present education and income standards, millions of homes are definitely under par—and highly important, the families living in them know it! The widespread dissatisfaction of the American public with the quality of its housing is shown clearly in recent surveys, which reveal that during the year ahead fixing up the house will be given top priority among major expenditures in the average family budget.

Government statistics in the field of construction are appallingly weak, and no one really knows how large this "fix-up" business is at present. After a good deal of investigation, however, I would venture the conservative opinion that for every dollar that is now being spent for new home building, at least another 75 cents is being spent to fix up existing dwellings. There can be no doubt—"fix-up" activity will continue to expand in the years just ahead, and especially if the related financial questions can be met.

Average American families know how to obtain credit for the purchase of an automobile or a major appliance, in large part because you people have profitably educated them on this subject. But financing "fix-up" work is quite another matter in most sections of the nation. These same families are in the dark when they begin to think about how to finance their badly wanted and needed home improvements. Home owners who have "fix-up" work in mind commonly have partly amortized mortgages, and cannot hope to finance major home improvements on a short term credit basis.

Solving questions on "fix-up" finance, in my view, poses the most important single credit problem likely to face American banking in the years just ahead. The basic housing requirements of the public are far too significant socially and politically to be ignored. Moreover, if families are forced to finance their major home improvements on a short term consumer credit basis, obviously they will be unable to buy the full output of the automobile and appliance industries, with clear cut repercussions upon the whole economy. What seems to be required to meet the "fix-up" problem is general adoption of a sound method of adding to present partially amortized mortgages, very likely involving the open-end principle. But this is for you to decide.

A closely related credit problem is now arising across the nation whenever a homeowner decides to sell his home and purchase another, especially a new one. By some sound procedure, these transactions must be effectively coordinated by recognized financial, real estate, and builder authorities. Once accomplished, such a development would give the entire housing market a new and buoyant tone. Homeowners and many others await your plans to help develop an active trade-in house market, parallelling to some extent other profitable resale markets which give protection to the investments of all concerned.

Here are private credit needs which deserve your urgent attention. At stake not only are profitable credit opportunities for banks in every community in the nation, but also the quality of American housing standards, and the future of much of the residential building industry—both of more than passing interest to banking.

This "fix-up" area is but one illustration of what can be done to ferret out sound, profitable business opportunities which will contribute to the economic welfare of the country. We must be continually on the lookout for such opportunities in every line of business with which we are familiar. Now that the bottlenecks of production have been broken to provide both guns and butter, we must direct our efforts toward breaking the bottlenecks of consumption (so no butter becomes rancid).

As bank lending executives, you have as important a role as any other group in America in helping through your leadership to meet what could be a temporary "economic gap" over the years just ahead. Keeping the longer run growth outlook of the nation continually before you should be a bulwark to your confidence as well as an aid to your judgment in selecting those risks which promise to strengthen the economy in the near-term period. Private business and banking leadership now faces its greatest challenge and opportunity. We need not ponder the cost of failure.

How Will Consumers, Business Managements, and Government React This Year?

All too often, economists and others tend to appraise the business situation and outlook in terms of mass statistics, forgetting that such figures are based upon human actions and very different individual business situations. It has been pointed out that the "standard" forecast of 1954 business is for a 5% decline from the level experienced last year. Obviously, even if this figure were precisely correct, it would be at best an average of widely different individual performances. A forecast means very little to me unless it focuses attention on what people are doing and are likely to do. Admittedly, any appraisal of human psychology is risky business, and certainly for an economist. But we have no escape, for if our forecast is to have any chance of being correct, we must try to make some allowance for human intentions and actions.

Consumers spend more than 60% of all the income in this country, and thus are the most important single segment of the economy. With all the publicity given to recent scattered lay-offs in a number of industries, it is not surprising to find some rising concern among many families regarding their own economic future. Aggregate income after taxes remains virtually at a record high, but many industrial families have now lost their overtime money. Among farmers generally there has been a noticeable reduction in cash income which has affected their spending and use of credit.

In view of the uncertainty surrounding some jobs, but with a general outlook for well maintained overall personal income after taxes, all of us in business must be prepared for "spasmodic" buying by the public this year. There will be intermittent periods of fairly rigid economy within families, following perhaps some news implying a threat to income, or an important expenditure. Business will be immediately affected. But so long as after-tax spending power continues at a high level, these same families will reenter the markets and buy substantially, especially when offered attractive values.

Recent polls of consumer spending intentions in 1954 indicate overall buying will persist at or close to rates established in 1953. Thus far in January spending seems to be bearing out the survey findings, for retail buying is being well maintained. A careful study of consumer purchases, however, reveals that buyers are very value conscious. Any business which is not now prepared for hard selling is asking for trouble, but those companies with aggressive merchandising programs offering attractive values to the public are not only doing well but can expect to continue to do so.

No business executive having anything like normal eyesight and hearing can honestly say that he has been surprised by recent business developments. Readjustment and "dynamic doldrums" have been widely advertised for a long time.

Company budgets for new plant and equipment are now beginning to reflect moderate cutbacks as the productive capacity expansion wave, aided by accelerated depreciation, moves past its crest. Most managements, however, are well aware of the persistent need to improve efficiency as an offset to rising labor and other costs. As a result, the outlook over the year ahead is for a gradual rather than a precipitous decline in new capital investment.

At the moment, inventory control ranks as a subject of just about top interest for most managements. Banking and other financial leaders are also showing concern about the inventory situation. Such caution obviously is healthy for the economy inasmuch as excessive inventories and forced liquidations can have sharply depressing influences upon production, employment, and income.

Since close control over inventories has been good business policy for many months, however, a good deal already has been accomplished in bringing excessive accumulations into better balance with sales. The period of greatest overall inventory build-up was during the second quarter of 1953. Subsequently, inventory accumulation not only has ceased, but net liquidation has been in progress for several months. Some further inventory correction undoubtedly remains to be completed, particularly at retail; but there is now a real basis for believing the worst phase of inventory adjustment is behind us. Current business sentiment, moreover, indicates rather strongly that inventories will not soon be allowed to rise unnecessarily.

Another encouraging development in business is the widespread conviction among managements that individual businesses can do better than their industries, general business, and many competitors — through aggressive merchandising and determined efforts to reduce costs and provide better values for customers. This is a major "plus" factor in judging near-term prospects.

To complete this round-up of business sentiment and intentions, I must add that here and there I now detect some small note of complacency creeping into business thinking. The root of this view seems to be that government somehow can and will guarantee against any further economic readjustment. So long as leaders generally are determined to redouble their efforts to produce efficiently and merchandise successfully in the face of more difficult marketing conditions, I tend to become less concerned about the business outlook. But if leaders show any signs of relaxing under such mixed economic conditions as are currently prevailing, it's my turn to worry. Certainly determination and not complacency dominates present management thinking, but any wavering from this position must be resisted.

Over the year ahead, we can expect to see a greater dispersion of profit performance among individual firms than in many a year. Divergent profit results will reflect not only the extent of planning to meet more competitive conditions, but also the persistence with which individual managements carry through with their carefully laid plans to improve their performance this year.

It isn't necessary to go to Washington these days to know that 1954 is a critical election year. The Congressional elections are uppermost in the minds of political leaders everywhere for control of Congress and perhaps much of the Administration's political fortunes are at stake. No legislative action can be considered apart from its probable impact upon the voters in November.

During critical election years, the public pretty well gets what it wants. There is good reason consequently to believe that measures which might have a net deflationary effect will be weighed very carefully in Washington. Whether or not unemployment exceeds 3 million is likely to be an important determinant of the final course of Administration and Congressional actions this year. The present jobless figure is somewhat over 2 million.

It seems safe to conclude that government will be a supporting influence in the economy during the year ahead. We must recognize clearly, however, that the President's recently announced program is designed to encourage private initiative and private solutions to economic problems to the fullest extent possible. Adherence to this sound principle will provide more substantial and enduring benefits to the country than more direct assistance programs. The success of the Administration's program, nevertheless, rests heavily upon the actions of individuals and not merely upon the acceptance of the principle involved.

In many respects, private leadership is now on trial as a result of recent and impending economic developments. Private plans must be soundly conceived to provide for continued economic strength in the period ahead. We now have the pledge of government that a wholesome environment for such planning will prevail. The rest seems pretty much up to us.

Let's Add Up the Score for '54

I've tried to present in as realistic fashion as possible the outlook for the coming year in the perspective of longer range prospects. The broad economic potential continues unabated, but the expansionary forces temporarily have lost their momentum. The possibility of a moderate economic gap looms.

The year 1954 thus becomes one of tremendous challenge to leadership everywhere in this country and to banking leadership in particular. Just as current economic activity reflects in no small way the plans made a year ago and earlier, what happens to the economy over the period ahead to a large degree will be shaped by the policies and actions being planned now.

We can and should look to the future with confidence. Ours is a dynamic, growing economy in which banking and credit will always play a major indispensable role. The nation's future economic health will be greatly influenced by the job which you do in 1954 in developing and selecting the credit risks which will help build new strength for the economy in the years just ahead.

The determination and calibre of the people represented here today give me real assurance that our nation can bridge successfully whatever economic gap may lie ahead. Bridge builders—let's go to work!!

Three With Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—William L. Henson, T. E. Lemon, and Bernard L. Stoff have joined the staff of Renyx, Field & Co., Inc., Carondelet Building.

H. D. Walker Opens Co.

EL PASO, Tex. — Harry D. Walker has formed Harry D. Walker & Co. with offices in the first National Building to engage in the securities business.

Joins R. J. Steichen

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Loren M. Barto has joined the staff of R. J. Steichen & Co., Roanoke Building.

Kalman Co. Adds

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — Arthur E. Reiter has been added to the staff of Kalman & Company, Inc., Endicott Building.

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The Eisenhower Tax Proposals

and plane and other passenger tickets, furs, jewelry, luggage and handbags, cosmetics and toilet preparations, theater tickets and cabaret bills, cameras and films, cigarette lighters, light bulbs, sporting goods, and fountain pens and mechanical pencils.

In summary, all these changes would decrease personal income taxes by $3.8 billion, decrease the corporate income tax by $2.4 billion, decrease excise taxes by $1 billion, and increase employment taxes by $1.3 billion. The net effect would be an over-all reduction in taxes of $6 billion.

This is the program. How does it stand up when tested by the criteria suggested earlier?

The Budget Effect

To judge the appropriateness of the aggregate cash impact of government spending and receipts, we must briefly examine the fiscal outlook. For the current calendar year, 1953, the Federal Government incurred a deficit of some $6 billion on a cash budget basis. For the fiscal year 1954, on a budget basis, the Federal Government is expected to run a deficit of $3.3 billion, or virtually a balanced budget on a cash basis. Similarly, a deficit of some $3 billion is estimated for fiscal 1955 on a budget basis. These figures come from the President's Budget Message of Jan. 22.

However, receipts for the fiscal year 1955 are expected to be some $62.7 billion, a decrease of approximately $5 billion. The failure to postpone the excise tax cuts scheduled for April, 1954, will reduce receipts by another $1 billion, thus increasing the deficit by another $1 billion. Expenditures for fiscal 1955 are expected to be reduced by a little over $5 billion from the Eisenhower budget of the fiscal year 1954, with the bulk of the cut coming in military expenditures.

Some of the economic objectives of the Eisenhower Administration are: (1) an honest (stable) dollar; (2) a sound economy; (3) reduction in government spending; and (4) a balanced budget. Under certain circumstances some of these objectives are mutually contradictory. For example, reduction in government spending and achievement of a balanced budget or a surplus are desirable objectives, but with respect to their impact on economic stability under certain conditions they may defeat more important goals.

The following discussion will illustrate this, although for complete clarity numerical models showing the effects of such an impact would be necessary. Suppose the situation in the economy is such that the level of business and national income is declining and severe unemployment is in prospect. It can be demonstrated that three routes for restoring economic stability and full employment are open to the government. If the government deliberately pursues a policy of incurring a deficit, a relatively small increase in government spending will result. Tax yields will rise because of the rise in national income; the resulting deficit will be relatively small.

If on the other hand the government pursues the goal of the balanced budget to achieve full employment, government spending as well as taxes must increase greatly in order to avoid any deficit. If the government seeks to reduce spending, however, and still maintain full employment under the conditions postulated, it will incur a substantial deficit. Tax levels may be reduced. This indicates that under the economic conditions assumed the goal of a balanced budget is inconsistent with the goal of reduced government spending. If the primary objective is full employment, it can best be achieved by a deliberate policy of running a deficit, which will result in the most modest increase in government spending.

If the economic outlook, therefore, indicates inflation, the appropriate government policy might well be a reduction in government spending and at the same time an attempt to create a budget surplus.

If, on the contrary, the outlook promises relative stability, a balanced budget would be a desirable objective, but a reduction in government spending and taxing could not be achieved. However, if the government wants to reduce spending and taxes in a situation of relative economic stability, and still realize the objective of full employment, it can do so by stimulating investment through some of the tax reductions. For example, if corporate taxes are reduced, increased funds will be available for financing business investment. If, furthermore, technical revisions stimulate corporate investment activity for other reasons, a supporting influence is achieved.

An appraisal of the over-all impact of the fiscal program, therefore, leans heavily upon the economic outlook. For a full analysis of this factor, let us consider the next criterion for evaluating the tax program, the long-run point of view.

Long-Run Goals

As I perceive it, the philosophy of the Eisenhower tax proposals is based on the following postulates: (1) There will be relative economic stability in the near and intermediate term future. (2) Tax reform and technical improvement of the tax structure will strengthen and invigorate the entire economic organization. (3) It is desirable at this time to have a tax system both anti-inflationary and conducive to an economic environment in which real income per capita will increase. This means encouragement to the growth of the capital stock and improvements in productivity with confidence that any demand deficiencies can be remedied.

An Appraisal

The Eisenhower tax program has been criticized on the grounds that (1) it gives inadequate consideration to the prospect of an economic downturn; (2) it provides too many concessions to business and inadequate stimuli to consumption; (3) its reduction in expenditures at the expense of the military budget is unwise in view of the international situation; and (4) it is a rich man's tax program based on the overflowing-cup or crumbs-off-the-table philosophy (meaning that the poor get what overflows from the cup of the rich or what few crumbs are brushed off the table after the sumptuous feasts of the well-to-do). Let us examine each of these criticisms.

There is insufficient space to review the economic outlook in this presentation. However, even on the assumption of a severe downturn, the Eisenhower tax program is not vulnerable in this respect. It is easy to fear each possible deflation and to combat it with policies giving rise to a little more inflation. Also, by concentrating on the danger of deflation, policies adopted to deal with short-run situations may interfere with the long-run growth and development of the economy. The Eisenhower tax program attempts to achieve fundamental tax reform. The technical tax revisions are the product of careful study by competent people. Although concentrated on tax reform and on improvements in the structure of the economy so as to achieve long-run real income and growth, the tax program does not bar changes which will stimulate the economy.

This relates to the second criticism that the program provides too much stimulus for production and too little for consumption. Of the total $6 billion tax cut, only $2.5 billion is in the corporate income tax. Hence the remaining $3.5 billion represent consumption stimulus. This is offset to some extent by the consideration that the employment tax increases will impinge heavily on the lower income receivers. However, in aggregate terms there remains a tax reduction to consumers of $3.5 billion, an amount greater than the reduction to business firms. Furthermore, it may be noted that the stimulus to business firms embodies a distinctive philosophy, that technical improvements in the tax structure itself rather than direct rate reductions will result in a better tax regardless of the rate. And finally, there is nothing in the tax program to prevent further excise tax or personal income tax reductions if the economy needs additional stimuli.

It may still be argued, however, that the tax program gives insufficient attention to the problem of dealing with a major recession, should one develop. But tax cuts are always politically popular. Hence there is no great difficulty in this direction. The greater problem is to achieve tax increases when inflationary pressures in the economy call for them. On balance, therefore, the tax program does not appear inadequate to deal with any possible sharp downturn. It is evident that President Eisenhower has given consideration to this possibility, for the newspapers of Feb. 18, 1954, reported his statement that if unemployment does not drop in March, there will be further tax relief for individuals indirectly in the form of excise tax cuts or directly in the form of an increase in the $600 exemption under the personal income tax and/or an additional cut in personal income tax rates.

The third objection to the tax proposals of the President was on the spending side, in connection with the $4 billion reduction in military expenditures. This was made possible by altering the philosophy of defense to rely on atomic retaliation rather than on a large army with conventional weapons and large manpower. Much debate is possible on this issue. If the decision, which is not essentially in the realm of economics, was based chiefly on budget balancing considerations and on a willingness to accept the risks of the international implications of such a decision, it would seem to have been made on unsound grounds.

The fourth objection that the tax program is a rich man's program relates to the third major criterion for evaluating the proposals specified at the outset, the justice of the tax system. This argument is not valid. The decrease of 10% in the personal income tax rate merely reverses an increase which previously took place. If the decrease benefits the rich, then the previous increase hurt them more severely. On a net basis the tax system is unchanged in this regard. The technical revisions of the personal income tax, it will be noted, benefit almost entirely the lower income groups. This is also true of the excise taxes. Of the increase in the employment taxes, 50% comes initially from employers. Even the technical revisions for the corporate income tax are in the main directed to benefit the small firm, especially those with regard to tax loss carry-backs, research and development expenses, and greater flexibility in charging off depreciation. On balance, therefore, it does not seem possible to establish that this is a rich man's tax program.

Conclusions

The Eisenhower tax program contains constructive improvements for our tax system. While it does not deal with the possibility of a sharp downturn, nothing in it will prevent additional changes in this direction should they become necessary.

Some items not covered in the Eisenhower tax program might well receive attention in future developments in the tax structure. They are as follows:

(1) Tax exemption for state and local securities should be eliminated. Statistical studies demonstrate that the gain to state and local governments through this subsidy is not equal to the tax loss or to other undesirable economic effects of tax exempt securities. Such exemptions provide a device for avoidance of high personal income tax rates and discourage investment in risky enterprises.

(2) Economists are generally agreed that very high personal income tax rates serve no useful purpose. They produce very little revenue, and it is very probable that they have undesirable disincentive effects.

(3) Excise taxes in general cannot be defended. A strong case can be made for *elimination* of all excises except possibly those on liquor, tobacco, and gasoline.

(4) In addition to the technical revisions in the corporate income tax, there is a strong case for keeping the total corporate income tax rate under 50%. It is undesirable to incur marginal expenses because more than half the cost is borne by the government. The unwillingness to reduce the corporate income tax rate to 47% as promised for April 1, 1954, undoubtedly reflects a fear of criticism that the Administration is doing too much for business. It is ironical that the Republican Administration is constrained from an action for business supported by economic arguments because of the fear of political repercussions.

(5) With regard to capital gains taxation, the lower rate of tax on capital gains provides a strong incentive device in the present tax system. It provides inducements to individuals to invest in growth companies and hence a stimulus to investment in risky and venture enterprises. However, this tax may be improved. At present only $1,000 of capital loss can be deducted from regular income. This severe limitation was imposed as a consequence of abuses in the use of capital loss deductions during the depression. However, as the President's "Economic Report" suggests, the permissible deduction could easily be raised from $1,000 to $5,000 without any appreciable revenue loss and with very desirable effects in stimulating investment in venture enterprises by persons in the medium income groups.

The changes proposed by the Eisenhower Administration, plus those which have here been advocated, would provide us with a tax system which would contribute to long-run stability and growth in the economic system. It would, as well, provide us with a vehicle sufficiently flexible and adaptable to counteract effectively any undesirable movements in business conditions.

Rodman & Linn Adds

(Special to The Financial Chronicle)

CHICAGO, Ill. — Robert L. Grant, Jr. is now with Rodman & Linn, 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Robert N. Tuller on Trip Around World

Robert N. Tuller, Robert N. Tuller Co., 25 Broad Street, New York City, accompanied by Mrs. Tuller, has set out on a flying trip around the world. Mr. Tuller's itinerary will include visits to Hawaii, Japan, China, India, Egypt, The Holy Land, Turkey, Greece, Italy, Switzerland and France. He plans to return to New York May 17.

Robt. N. Tuller

Central States IBA Annual Conference

CHICAGO, Ill.—The 18th annual conference of the Central States Group, Investment Bankers Association of America, is scheduled for Wednesday, March 31 and Thursday, April 1, at The Drake, Chicago, it was announced by William D. Kerr, Bacon, Whipple & Co., Chairman of the Group.

There will be a luncheon address both Wednesday and Thursday and forums on Wednesday afternoon and Thursday morning and afternoon; a formal dinner Wednesday at the Blackstone Hotel in honor of T. Jerrold Bryce, Clark, Dodge & Co., New York, President of the I.B.A., and an informal dinner and entertainment Thursday evening. Speakers are:

Dr. Frank Stanton, President, Columbia Broadcasting System, Inc.

Charles T. Broderick, Economist, Lehman Brothers, on "The Business Outlook."

Joseph F. Clark, Executive Director, Municipal Finance Officers Association, on "Municipal Finance Problems in 1954."

Arthur H. Motley, President, Parade Publications, Inc.

J. Sinclair Armstrong, Commissioner, Securities and Exchange Commission, on "Federal Regulations Under the New Administration of the Securities and Exchange Commission."

Employees of member firms that are enrolled for the classroom course in fundamentals of investment banking, sponsored by the Group in cooperation with Northwestern University, will be guests of the Group.

Between 400 and 500 investment bankers are expected to attend the conference, according to Chairman Kerr. They will come mainly from the states making up the Group—Illinois, Indiana, Iowa, Nebraska and Wisconsin—but all other sections of the country will also be represented, particularly the Eastern Seaboard.

Conference arrangements are in charge of G. Fabian Brewer, William Blair & Company, Chairman of the Meetings and Entertainment Committee.

Officers of the Central States Group, in addition to Chairman Kerr, are:

Vice-Chairman: Thomas W. Evans, Continental Illinois National Bank and Trust Company of Chicago.

Secretary-Treasurer: David J. Harris, Sills, Fairman & Harris, Incorporated.

With Hamilton Managem't

(Special to The Financial Chronicle)

DENVER, Colo. Gordon W. Edwards is with Hamilton Management Corp., Grant at Speer Boulevard.

Continued from page 3

A Long-Term Market View

tinuation of a trend started long before.

Which politics are bad and which good do not concern us. We do know historically that only in a period in which property rights are respected, in which money can be placed at venture with some degree of confidence, do bull markets flourish. The framework of that structure is complete. It is to be hoped the edifice will be completed in due course.

War

Peace or war, chances for and against and probable market effects thereof have importantly influenced stock prices for 15 years. War fears that so damped down markets of recent years may subside in the period ahead.

There are signs that all is not well with the Russian Bear. The passing of Stalin ushered in a series of events that suggest that Ivan may be awakening.

The great social changes in the Western World have been partly a result of technological progress. It may not be too far-fetched to imagine that industrial progress behind the Iron Curtain may be creating similar social pressures.

In any case, the Russian leaders appear less willing to drive their people as hard as before and more willing to pursue less hostile, more amicable, international policies.

Perhaps the Russian revolution died with Stalin. If so, it could become a powerfully favorable force for Russia, the U. S., the whole world.

Investor Psychology

There is a time content to mass psychological attitudes that appears fairly constant. Just as the long periods of history can be broken up into generations of about 33 years, so can the life of an intermediate-term attitude or climate of feeling be measured by something like the same number of months. The great bear market of 1929-32 lasted 33 months. The reaction from '46 into mid-'49 was about 34 months.

From February '51 into September '53 was 32 months. Man is normally optimistic and hopeful. The time has come to look for a change in overall investor psychology.

Technical

Since stock prices reflect human attitudes and emotions (as quite distinct from anything approaching judgment and logic), they display distinctive and repetitive behavior patterns. Both advances and declines, large and small, tend to come in waves of three. The presumption for years was that this bull market, which started in 1942, would have three successive bull moves. The first was from 1942 to 1946 (92 to 213 Dow). The second started in 1949 and may have ended early in 1953 (160 to 295 Dow). We may still be in the same phase.

But even if this proves to be the third and final phase, the way, economically, politically and psychologically, has been paved for an advance that should last for years and be at least as great as either of the two that preceded it. The first was 120 points, the second 136 points. This should be more of the order of 150 or more points.

Six fairly reliable long-term technical indicators suggest expectation of a rise to something between 364 to 415. The average of the 6 is 391. There is some reason for thinking that January 1956 might represent a top, but there's no particular point in trying to fix a date, or even a limit, for that matter, on the advance at this time.

Conclusion

There have not been, at any recent time, cogent reasons for believing that we faced anything approaching a serious decline in stock prices or a serious spill in business.

Financial sentiment has been damped down, and the flow of big money to our stock market restricted, by low visibility.

It has long been apparent that some of the road blocks to a major bull market would have to be removed prior to its inception. Essential ingredients have been:

(1) Change to a more property-minded Administration;[2]

(2) Reasons for believing the peak of the tax load had passed;

(3) Ending of the war in Korea;

(4) Recovery in lagging foreign economies, especially in Europe;

(5) Formulation and articulation of well defined domestic and international policies by the U. S. Government;

(6) Prospect of greater convertibility of currencies;

(7) Chance for expansion of world trade;

(8) Prospect of something approaching, if not peace, at least a reasonably enduring armistice.

Each generation is immersed in the stock market bath — eventually to go through the fires of disillusion.

The early years of the century were a time of great expansion, great financial activity and great and profitable speculation, only to be followed by the panic of 1907 and seven years of Wall Street famine and financial reform.

Again, in the middle and late 1920's, millions of would-be investors found themselves speculators with the disillusion of 1929-32 at the end of the road. The ensuing years of change and reform followed in due course.

It is to be hoped the sequel this time will be different—but only history will tell.

Nevertheless, the long-term probability for years has been that some time in the middle or late 1950's we would see a great and roaring bull market. Events and developments are conspiring to suggest that this exciting spectacle may not be long delayed.

2 "In all those things which deal with people, be liberal, be human. In all those things which deal with the people's money or their economy, or their form of government, be conservative."—President Dwight D. Eisenhower, Feb. 5, 1954.

General Inv. Corp. Formed in New York

Formation of General Investing Corp. with offices at 80 Wall Street, New York City is announced by Ralph De Pasquale, President. Maurice Barnett, Jr. is Vice-President of the new firm which will serve as brokers and dealers in securities, investment bankers, and specialists in corporate stockholder and financial relations.

Mr. De Pasquale also announced the dissolution of De Pasquale Co.

Two With Zilka, Smither

(Special to The Financial Chronicle)

PORTLAND, Oreg.—George C. Gladden and Robert M. Holoubek are now associated with Zilka, Smither & Co., Inc., 813 Southwest Alder Street.

Seymour N. Sears, Jr.

Seymour N. Sears, Jr., member of the New York Stock Exchange and a partner in Farrell & Co., New York City, passed away March 2 at the age of 48.

Public Utility Securities

By OWEN ELY

Consolidated Gas of Baltimore

"Con Gas of Baltimore" (Consolidated Gas, Electric Light & Power Company of Baltimore) is one of the oldest U. S. utilities. One of its 27 "ancestors" was the first chartered gas company in the New World, the business dating from 1816. Electric operations began in the early 1880s, only slightly later than the old Pearl Street Station of Consolidated Edison.

The present company began paying dividends on its common stock in 1910, and the rate has never been decreased or interrupted since that date. The latest increase in the rate was nearly four years ago when it was raised from \$1.20 to \$1.40. The payout rate during the last 10 years has averaged about 77%, but was 80% in 1953.

The financial structure as of Dec. 31, 1953 was as follows: Mortgage bonds 48%, convertible debentures 4%, preferred stock 11%, and common stock equity 37%. The company's mortgage bonds have a triple A Moody rating. Equity financing in recent years has been partially through the medium of convertible debentures, the first issue being fully converted, while the present issue is now about 40% converted.

The company has enjoyed good growth in the past decade, electric revenues having increased 82% in the past decade. The company's steam electric generating capacity, which now totals 830,500 kilowatts over and above the resources available from the two hydro companies on the Susquehanna River, has more than doubled in the past 10 years. During this decade 125,614 electric customers have been added to the system—an increase of 38%. The rate of increase in 1953 and recent years has been higher than the average for the 10 years.

Revenues are about 72% electric, 26% gas, and 2% steam. The breakdown of electric revenues is 32% electric, 29% commercial, 30% industrial, and 9% wholesale. Some 69% of gas revenues are from domestic business. The indicated average residential electric rate of 3.26¢ per kwh. in 1952 was above the national average, and indicated consumption at 1,714 kwh. was below.

The gas division had "heavy going" during the 1940s, when the cost of manufacturing gas trebled. And after some difficulties due to competition from other companies, natural gas was obtained by the inducement of offering an immediate reduction in rates. The company spent about \$8.6 million in converting to natural gas, part of this cost being amortized at the rate of \$500,000 a year. The large manufactured gas plant was converted to production of oil gas with heating value to natural gas, for standby and peak-shaving purposes. The initial contract with a Columbia Gas subsidiary was for delivery of a maximum of 70 million cubic feet per day but this was recently raised to 91 million, and the company is willing to raise it to 95 million. The latest peak day had a send-out of 123 million cubic feet—2½ times the maximum of four years ago when manufactured gas was served. While the cost of gas has increased from 30¢ to 40¢ per million cubic feet, earnings from the gas division has been steadily increasing and President Crane hopes that the company will earn nearly 5½% on its gas investment in 1954.

Baltimore, a seaport next to New York in importance, is also a city of well-diversified industry, and experiences less in the way of economic swings than most large American cities. The electric service field extends outside the City of Baltimore, covering about 2,300 square miles from the Pennsylvania state line to a point 50 miles below Baltimore, and from the Chesapeake Bay on the east to points close to the District of Columbia line. The intervening farming and residential territory is being fed by overflow of population from Baltimore and Washington. The attractive rivers and creeks in the Bay area are bringing about large summer colony growth.

Con. Gas applied for increased gas and electric rates in December, 1951, but there has been some opposition from local oil interests due to their loss of business to natural gas. The proceedings before the Maryland Commission now appear to be in the final stages, and a decision is anticipated within a few weeks. The increase, if granted, would add an estimated 37¢ to share earnings, raising the 1953 figure from \$1.68 to \$2.05. Last year's earnings were depressed by a below-normal flow in the Susquehanna River (reducing hydro power), and warm weather which affected gas house-heating sales.

The stock is currently selling round 28⅜ to yield 4.9%. The price-earnings ratio is 16.9, or 13.8 if based on the pro forma figure including the requested rate increase. Some allowance should be made for unfavorable operating conditions in 1953; on the other hand, conversion of the remaining debentures would have a slightly diluting effect on stock earnings.

James R. Stanley With Keith Reed & Co.

DALLAS, Tex.—James R. Stanley has become associated with Keith Reed & Company, Incorporated, Fidelity Union Life Building, as Vice-President and Director of the real estate, mortgage and oil property financing department. Mr. Stanley was formerly Executive Vice-President of the Dallas Trust Company.

James R. Stanley

Blyth & Co. Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Richard W. Taylor, Jr. has been added to the staff of Blyth & Co., Inc., Russ Building.

With F. S. Moseley Co.

(Special to The Financial Chronicle)

BANGOR, Me.—Virgil H. Goodwin has become associated with F. S. Moseley & Co. of Boston. He was formerly for many years with Halsey, Stuart & Co. Inc.

Continued from first page

The Randall Report— Back to Marshall Plans

Randall, is known as an ardent supporter of the Marshall Plan and a "free trader." The Vice-Chairman heads the world's greatest cotton export firm; his partner was instrumental in "selling" the Marshall Plan to Congress. The one economist on the panel, an outstanding one, has been prominent in advocating the "key country approach," meaning aid to Britain, and the chief of the steelworkers went on record, as was to be expected, outdoing every one else in virtually unlimited generosity at the expense of the American taxpayer. Of course, Mr. McDonald could not fall behind his rival in the CIO, Mr. Reuther of the automobile workers, who not so long ago clamored for foreign aid to the tune of $1 trillion.

Given this set-up, it is not surprising to find that significant proposals were carried by a narrow majority and punctured by vigorous dissents. In addition, Senator Millikin inserted a polite letter to the chairman, to the effect that he wants no part of the report. And the two fierce believers in the tariff, Representatives D. A. Reed and R. M. Simpson—leading Republicans in the powerful Ways and Means Committee—challenged in a shorter minority report the majority's whole approach not only as fallacious and unclear, but as unfair to vital interests of this nation.

In short, the Commission presents a fair replica of our political set-up and of its deep-seated divisions, rather than a balanced guide in the maze of our foreign economic relations. This bodes ill for translating the majority recommendations into legislation. Yet, they are of political significance. Undoubtedly, they express the drift of thinking in the Administration. The President's appointees must have been selected under that point of view; and they constituted the hard core of the majority.

Prescriptions Without Diagnosis

Curiously, the Randall (majority) report is devoted to a problem which was not assigned to it. "This report . . . is primarily concerned with the steps that this country can take toward solving the world's dollar problem. . . ." However, Public Law 215 gave the Commission a long list of "duties" without referring to the dollar shortage with a single syllable. One may argue, of course, that no discussion of America's foreign trade and financial policies is possible without taking that thorny issue into consideration. But taking it into consideration is one thing; making it the prime purpose is another matter. The clear implication, evident, throughout the report, is that it is America's "leadership" responsibility to find ways and means to bridge the dollar gap of other nations.

From beginning to end, the report's concern is indeed with the question, what *we* should do in order to alleviate the dollar shortage—to harden the soft currencies. Practically all its suggestions serve that objective. Dollar shortage is the overriding problem on the majority's collective mind. Its report emphasizes that the progress of the outer world toward financial sanity would reflect to our own benefit—in the "enlargement of international trade," especially. And it does not fail to warn the recipients of American hand-outs that they themselves should put their houses in order. But such warnings are not translated into policy suggestions. Tariff concessions, "economic" aid (loans), subsidies to investments abroad, "military" aid, stabilization loans, etc., are not made dependent on specific concessions or efforts on the part of the foreign beneficiaries.

One (apparent) exception is the proposal that the "Buy American" act should be relaxed for the benefit of only those countries which reciprocate in kind. But European countries have no "Buy Domestic" laws which they could scrap *de jure;* their governments just do not buy abroad *de facto* if they can help it.

In other words, this (Republican) Commission takes it up exactly where its (Democratic) predecessors left the problem child: on our own doorstep. It does so without offering a better justification for this attitude than the fact that the outer world is gaining gold and dollars at the annual rate of over $2 billion, while our "economic" and related aids alone are running at the rate of $5 billion, leaving a dollar gap of $2 to $3 billion. (Putting it the other way: we are disbursing twice as much, at least, in pure handouts as the world needs today.) The Commission jumps to the conclusion that this country has to take the necessary steps in order to alleviate the gap. This is, of course, a typical case of trying to cure symptoms. The mere *existence* of a dollar shortage does not justify the claim that it is America's responsibility. The Commission admits that the Europeans are in many ways at fault; why not, then, make further assistance conditional on their mending their ways?

Randall vs. Convertibility

Could it be that the dollar gap would vanish if the soft currencies were made convertible? This is, in effect, what the minority report alleges (but without facts or analyses to support *its* thesis). A formidable body of experts on both sides of the Atlantic and, what is more, leading Belgian and other statesmen believe in this cure. Germany's Dr. Erhard, in particular, is more than willing to "dash to freedom" and to scrap at once all foreign exchange barbed wire as well as their twins, the discriminating import restrictions, and to return to undiluted multilateralism. He is stopped by Britain's objections. But the Randall Report pays no attention to opinions alien to its own preconceived position. It pays lip-service to universal convertibility and multilateralism—who does not?—but warns Europe against haste in bringing them about. That means, in practice, to leave things as they are; the soft currency countries continue their mutual commercial throat-cutting, preserve their economic rigidities, and maintain their vicious discrimination against American exports.

The Commission made no attempt whatsoever to justify this stand. It follows through thick and thin the official British line of "gradualism." It by-passes what many Europeans themselves consider the true cause of their dollar trouble: their self-inflicted inability to raise per-man output in industry. It might have done well to ponder over Graham Hutton's book, "We Too Can Prosper," that demonstrated with rich documentation that British productivity could be raised by 10% in two years, thereby solving the Sterling Area's basic balance of payments trouble, without additional capital outlay; or over the following editorial with which "The Times" of London greeted the English on New Year's day, 1954 (applicable to most of Europe and beyond):

"The weaknesses which stand in the way [of a major increase in production] are easy to recognize and hard to cure. On both sides of industry there are all too frequently a lack of enterprise, vigour and adaptability, an obsession with security, an unwillingness to compete, to take risks or to emerge from the protective shells of price-rings, quota-agreements or established trade union rules. Even an increase in industrial capital development and re-equipment . . . is limited in many places by attitudes in industry itself rather than by a lack of savings. Too often re-equipment is inhibited by the *reluctance of organized labor to permit economies of manpower* to be realized and by the *reluctance of capital to risk the outlay* involved. Often, too, *re-equipment and development are misdirected* because the rigidity of the economy has obscured the real basis on which valid economic judgments should be made. These weaknesses are due in part to *crippling taxation,* which *distorts the* whole *relationship between risk and reward.* To some extent, too, defensive and passive attitudes have been fostered by the long period of combined government control and sellers' market. In part they go much deeper —down to the whole philosophy of security which has been taking root for many years." (Italics mine.)

Evading the Issue

If some $46 billion in direct aid, not counting the "indirect" subsidies, since the last war did not eliminate such impediments to higher productivity, what is to be expected from further support?

And low labor productivity is only one-half of Europe's dollar problem. The other half is: wages. The financial tragedy of Britain, for one, is summarized in a few comparative data on manufacturing:

Percentage Increase Between the Average of the Last Three Prewar Years and 1952

	U.K.	U.S.
Volume of production	+28%	+113%
Output per man	+12%	+ 40%
Labor earnings	+175%	+130%

In Britain, labor productivity lags far behind, but wage bills run well ahead, of their American equivalents. Her labor costs per unit of output are rising faster than those of the U. S. (and of Germany!). The same holds, more or less, for most of our "wards."

The Commission made no effort to appraise the discouraging results and consequences of the postwar global spending spree, such as the perverted economics of low productivity and relatively high wages (plus exorbitant "fringe" benefits!). But, one may ask, what can we do about other people's folkways? The answer is that we need not finance them. In fact, our spending proficiency induces their behavior. Why not take it easy and run into deficits if Uncle Sam stands by to pick up the bill? And what guarantee is there that by continuing the subsidies we would pave the way "gradually" toward all-round convertibility?

That lately Europe's over-all dollar position is improved, offers no promise for the future. It has happened before — for a short while. Presently, it is due to nonrecurrent circumstances: relatively favorable terms of trade; reduction of dollar imports by ruthless restrictions; living on (or off) inventories; moderate increase of exports to the dollar area, thanks to heavy export subsidies; the windfall of gold from Russia; relaxation in the Cold War, reducing the capital flight out of European currencies; record-sized American aid, etc. Virtually every one of these favorable circumstances might be reversed on short notice. A fresh 5% "wage round," which is a distinct possibility, may price Britain out of the world markets. The international accounts behind most of the soft monies are in a very precarious situation, the respective national budgets far from balanced, public expenditures and currency systems still over-inflated.

That is where convertibility comes in as the decisive weapon to force the necessary domestic adjustments without which the return to convertibility would be a futile experiment. The British argument that their gold and dollar reserves have to be "adequate" —meaning that a huge American credit must be made available— implies that they refuse to make the necessary adjustments in fiscal, monetary and trade policies. If so, a multi-billion stabilization credit soon would be wasted just as the $5 billion American-Canadian loan was dissipated in 1947. Without making the domestic adjustments, convertibility would boomerang in the form of gold and dollar withdrawals. But if the adjustments are made, little if any outside aid would be needed. In fact, the "aid" would come naturally in the shape of commercial capital inflow as well as through the re-opening of gold and dollar treasures held privately. They are hoarded today because of the inconvertibility of the respective currencies, the insensibility of the tax systems, the inflexibility of price structures, and, generally, the stupidity of anti-capitalistic policies.

The Economics of Double-Talk

The majority of the Randall Commission was up against a problem in dialectics that blurred its thinking and resulted in middle-of-the-road compromises which are unsatisfactory to all concerned. They are too timid for the one side, and too bold for the other. Its report is aware of the facts of life: that no dollar aid can make countries self-supporting if their own policies stymie enterprise, discourage incentive, saving and work. Yet, it chooses to advocate putting the burden of global dollar shortage and currency stabilization on the American taxpayer.

In one respect, however, the report marks a significant progress over the economic and political lingo of the last decade: there is no more ballyhoo about raising the living standards of the world's underprivileged millions. The claim of underdeveloped areas to a *right* to American assistance is answered with a categorical, "We recognize no such right." (Mr. Milton Eisenhower and other protagonists of handouts to Latin America will not like this, nor will the Latins themselves.) Does this mean that no more aid should be granted to those areas? Or merely that such aid should not be construed as an obligation of the donor? In any case, no such language is addressed to the European Allies who clamor more insistently for American subsidies than they ever did for German reparations. The obvious implication is that what is *not* sauce for the backward goose, *is* sauce for the "forward" gander. And it is a rich sauce we are supposed to keep dishing out, as we shall see presently.

"There now appears to be no need for further economic aid in the form of grants" to Europe. This sounds reassuring; in reality, it is little more than an irritant to the Europeans who do not like to be reminded of their humiliating position. Otherwise, it means nothing because:

(a) "exceptions" are permitted in the form of off-shore procurement, the volume of which is not defined by anything more precise than the all embracing generality: "the Commission recommends that contracts . . . be placed abroad on the basis of considerations of cost, availability, and quality . . . that govern effective procurement policy at home, *or on broad strategic judgments. . .;*

(b) beyond that, loans as well as Federal guarantees and tax privileges for private loans should be provided in lieu of grants—as if defaulters could be taken into court;

(c) military aid proper, whatever that covers, should be continued subject to military-political considerations only, i.e., without any financial limitations;

(d) even outright grants, not just loans, are recommended "where support is needed to maintain military forces or to conduct military operations . . . beyond the economic capacity of a country to sustain," which makes almost every country, from Korea to Norway, eligible for political handouts; lastly,

(e) if Europe wishes to make its currencies convertible, the attempt should be supported by putting at its disposal the $3.3 billion now held in the Monetary Fund, *plus* unspecified stand-by credits by the Federal Reserve—back to monetary stability on the back of the dollar—with no control whatsoever over the funds thus engaged.

Aid, Not Trade

As was to be expected, the proposed perpetuation of large-scale foreign aid is accompanied by vehement expostulations about American trade policies. Our farm policy, in particular, is subjected to a scorching criticism (there was no farm representative among the Presidential appointees!), which leads nowhere. The Commission admits that farm problems are beyond its competence, and offers no solution. It is satisfied with creating the misleading impression that our domestic commodity supports, plus agricultural import duties and embargoes, are a major factor in the world's dollar shortage. It does so by failing to bring home that the viciously "autarchist" farm policies abroad (such as the double-price system *a la* Brannan that Britain is experimenting with, on top of subsidies, tariffs and quotas for farm products) are altogether independent of ours. And it sidesteps the fact that our high agrarian prices—which help to boost our wage level—are a boon to Europe: they reduce our competitive powers.

As to the tariff, the report suggests that the President's expiring power under the Reciprocal Trade Agreements Act should be prolonged for three years, duties to be reduced at his discretion by 4% annually. Of course, tariff administration should be simplified (though it is far less "barbarous" than the totally arbitrary administration of European and Latin exchange restrictions and import "contingents"). All of which would add up, the London "Economist" commented, to an increase of American imports by a few hundreds of millions of dollars — a drop in the bucket. At that, the bucket has a big hole: the escape clause and the peril clause are to be strictly observed.

Small as these and related trade concessions are, in view of what was expected, they aroused the ire of the protectionist wing of the Commission. In one respect, the minority report's censure is fully understandable. It points out that our tariff barriers are very moderate compared with the trade obstructions erected by exchange and import controls abroad; and that American industry is "entitled" to protection against manifest dumping—selling with the aid of export risk guarantees, dollar retention schemes, "switch" rates, and direct subsidies—practiced by European competitors.

"Our actions must be matched by comparable efforts on the part of other nations of the free world," the Randall report announces solemnly. But this is not followed up by concrete proposals. The underlying philosophy may be summarized briefly by saying that the commercial concessions proposed are scarcely significant; instead, handouts are to flow in indefinite amounts for an unlimited time, with no control over their use, no *quid pro quo* asked from the beneficiaries, and no other consideration for guidance but our alleged or real national security interests.

The Fallacy of Military Aid

National security is the reason, or excuse, for the Randall approach, leaving aside other arguments occasionally thrown into the bargain. That is where official thinking stands now, having run the gamut from the charity approach at the War's end to the Marshall Plan idea of making Europe self-supporting — the famous last aid to end all aid. What matters presently is military aid, combined with such economic assistance as "needed" (by military standards) to enable allies and friends to do their own share. Which is tantamount to the economist's self-effacement, surrendering his function to the generals and admirals — or to the commanding politicians.

But the very distinction between military and economic aid is a fallacy. The Randall report, for one, makes no attempt at a definition. In reality, every so-called economic aid, provided it is worth anything, is of military value, if only by strengthening the "potential" of the respective country. Vice versa, every military aid serves economic purposes, directly or by indirection, if only by relieving the subsidized nation of arms expenditures. In fact, it is largely military aid to France, totaling in the current year about $2.5 billion, that covers most of her balance of payments deficit while the counterpart funds of the same handouts take care of her budget.

The concept of military aid involves more than one fallacy. In the first place, it is self-perpetuating. The sinews of war we furnish abroad are an unbearable burden on the recipients, or so they complain, unless we shoulder the high cost of maintaining, storing, servicing and renewing — at an annual $1 to $2 billion already, according to the Randall report. The more weapons we provide, the higher will go the costs which do not even account for the obsolescence of weapons.

Another fallacy of the military aid is its implied assumption that we can build up a Maginot line in Europe that would match Russia's forces — as if they would stand still and not match our preparations by adding to theirs. Leaving aside the waste and corruption cropping up in our world-wide "infrastructure" projects: how far can we carry this race? What if some of our "Allies" refuse to go along further or turn "neutral"? The tremendous build-up would be wasted. The risk that a huge amount of equipment stored abroad might fall into enemy hands is not negligible either.

Perpetual Spending?

If stopped, or appreciably reduced, foreign aid is bound to boomerang—to make enemies instead of friends. In a major war, it may turn out to have been a colossal mal-investment. In peace, it actually discourages military preparations in a Europe that by this time should be perfectly capable of taking care of itself. The six nations of the (still-born) European Defense Community alone, even without the French, Belgian and Dutch colonies, have a combined population of 158 millions, equal to America's; and a steel capacity of 40 million tons, superior to Russia's, to say nothing of their superior skill and know-how. With Britain and the rest, Europe should be more than a match for the Soviets. But why should they break down their comfortable domestic rigidities and increase the efforts for their own armed security — which is *primarily* at stake, not ours — when America has adopted the incoherent theory that they have to be supported with or without doing their own share?

The balance sheet of that theory was sharply drawn up by an American not suspected of being an isolationist: by W. G. Mallory, Executive Director of the Council on Foreign Relations (in the January, 1954, issue of "Foreign Affairs":

"Governmental programs, much emphasized in recent years, seek to charm the alien by gifts of money, by wide distribution of the printed or spoken word, by the sharing of technical knowledge. . . . From the earliest times nations have given assistance to their allies and bribed neutrals and their enemies. As an emergency measures such methods have utility, but they soon become self-defeating. Once an emergency measure, such methods recipient turns him against the donor. The subsidy is a mark of inferiority; and, indeed, if continued long may bring the giver to the same level of poverty."

Fortunately, American military thinking is not likely to be stagnant. President Eisenhower's budget for fiscal 1955 shifted the armament emphasis, if cautiously only, from manpower, bricks and ships to planes, super-weapons and research. Whether this is due to a new strategic outlook ("peripheric defense"), forced on us by French and Italian reluctance to join the E.D.C., is immaterial. What matters is that military aid to Western Europe, disregarding special situations of limited scope, is on the way to losing the last thread of rational justification. Economic assistance has lost it long ago.

The Randall Commission's advocacy of both—the one in an uninhibited, the other in an equivocal fashion—is a definite step backward: to the age of self-defeating Marshall Plans.

Continued from page 5

Boomland Germany— For How Long?

votion to free competitive markets.

One recovery prop, whose existence harbors accompanying vulnerability, is contained in our large-scale troop expenditures. A major contribution to the country's surplus in the dollar area is the $250 million received from our troop expenditures, of which $210 million flows from personney pay and the balance from P-X sales. This does the recipient country far more good than does off-shore procurement which uses up real resources, and is to be contrasted with the 12% or so of an armament economy's gross product wasted in defense.

Should self-armament come in with EDC, inflation may then possibly break out here, taking up the existing slack and more.

Bearish Items

Included in our objective balance sheet must be included some liabilities. Foremost of these is the still awesomely rubble-ridden City of West Berlin. Behind this "show window of freedom" is a most costly economic institution. A strategic political necessity, this *Distressed Area,* with 220,000 unemployed, is a permanent heavy financial burden. Whereas the U. S. used to be the source of subsidy here, on an ability to pay criterion; the burden has now been largely shifted to the shoulders of the Federal Republic—to the extent of 1.2 billion marks ($300 million) last year versus $37 million given by the U. S. Particularly in view of the continued refugee influx, no solution of this political-economic problem is in sight.

Another continuing *minus* is the absence of a capital market, with a shortage of a long-term capital. Highly-taxed bonds and stocks must compete with a government bond yielding 5% tax-free. Siemens just had to pay 8% on a long-term bond issue, and even so the operation was largely refunding.

A Mark Gap

Ironically, Germany's great export success, combined with her import austerity—creating a mark "gap" relative to the soft currency countries—must be included with the negative potentialities. Along with her embarrassing surpluses in EPU, she is piling up huge trade surpluses of unusable goods — a real problem which may be costly to a nation which has not yet learned to function as a creditor.

Again we must realize that the institution of urgently needed reforms of a free economy were greatly facilitated by virtue of the fact that they were emergency steps enacted in an occupied country; with the necessary measures, politically unpopular though they were, enacted under the aegis of those forces. How long will that honeymoon carry on?

And midst the prosperity there are still 223,000 unemployed, with particular incidence among the white collar contingent.

* * *

With relatively little expansionary activity apparently still ahead, and with production already showing some tapering off, it would be our guess that, barring the holocaust of an all-out war, the country will settle at a healthy normal economic growth, in lieu of boom.

Leslie Securities Formed in New York

Leslie Securities Corp. has been formed with offices at 52 Wall Street, New York City, to act as underwriters, distributors and dealers in industrial, public utility and railroad stocks and bonds, bank and insurance stocks and mutual fund shares. Officers are Harry B. Leslie, President, and Frederick M. Riekert, Secretary and Treasurer. Both were formerly with Bonner & Bonner, Inc.

Three With E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Lucille E. Brown, George H. MacGregor and Clarence L. Warren have been added to the staff of E. F. Hutton & Company, 623 South Spring Street. Miss Brown was previously with Merrill Lynch, Pierce, Fenner & Beane.

Three With Sam. Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Russell W. Gerst, Robert L. Mullins and Minnie Stober have become associated with Samuel B. Franklin & Company, 215 West Seventh Street.

Hemphill, Noyes Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Joseph A. Dalton has been added to the staff of Hemphill, Noyes & Co., 510 West Sixth Street.

Securities Salesman's Corner

By JOHN DUTTON

"Tradin' Places With the Customer"

Years ago, in a little town in Ohio, my father operated what in those days was known as a general store. I grew up in the business. One of my first recollections was when I was about five years of age my father took me behind the counter on which he wrapped packages and patiently showed me how to tie up an assortment of wearing apparel. First he started with a man's shirt, and after I learned how to make a neat job of that, he added other items. He took an interest in my first step toward a business education. As I grew older I worked in that store and I learned quite a few things about "human nature." If there is any difference between the merchandising policies that are successful in selling securities and those which can be applied in a small town retail store, it is a matter of degree only. The fundamentals are the same. You build a business by exerting effort constructively.

It's Good Advertising

One day while I was watching my father wait on a customer a very irate woman came into the store and complained to me that a sweater she had bought for her husband was improperly knitted and that it unravelled as soon as he tried to wear it. Anyone could have readily seen that the sweater had been snagged and that a large tear had been made by some nail or other jagged projection that had caught in the yarn and that this customer was trying to obtain a refund to which she was not entitled. My father heard the rumpus and walked over to where I was standing with the customer. He excused himself from his customer first and he quietly asked the woman the reason for her complaint. She heatedly told him the same story as I had heard. Without a word my father went to the register and refunded her money. Then he said, "I am sorry you were displeased but remember anything you buy here must be satisfactory or your money back." The woman turned and left the store, her mission accomplished.

The other customer turned to my father, whom he knew quite well, and asked, "Why did you give that woman her money back without an argument?" My father replied, "Once in a while I find that some people are unreasonable and she was. That sweater was snagged and she knew it. But rather than have anyone dissatisfied and go around town telling people what a bad deal they got here, I find that even those few who are unfair make the best advertisement I can get for my business. Sometimes things I sell are defective; that happens in every line of business. I can't help it and usually the manufacturer can't either. I make the refund because I know that the firms from whom I buy will back me up. That's why I sell good merchandise and try to give people value received. It pays me better than any other form of advertising I can do."

Goodwill Must Be Earned

My father went through a period of about 40 years running a small town business. Even in years when there was a nation-wide panic he was able to keep his doors open and during all that time he never failed to earn a living and sometimes a little more for his family. He was one of the old time merchants who valued his good name and his credit standing. He had a one price store and he sold for cash unless a good customer or a deserving member of the community needed credit. Regardless of competition and business conditions we always ate regularly in our house even if Dad never got rich. The reason I am telling all this is that I believe that one thing more than anything else made it possible for that little country store to go on and prosper for a good many years, and that was because my father always said, "Put yourself in the customer's place." He did that, too. People were loyal to him and he built a solid foundation of goodwill.

Any Business or Profession Must Serve Well to Grow and Prosper

The other day a new client of mine called me on the phone and asked my opinion of a speculative stock. To the best of my ability I checked it. Some things didn't look too promising. I told the customer the whole story as straight and completely as I could. He said, "I have 2,700 shares. How about selling 1,000?" I said that I agreed. The 1,000 were sold.

The next day I received information that caused me to change my mind, at least temporarily, concerning the future of this company. I called the customer and told him the latest information that was more encouraging. He thanked me and agreed that he should hold the remaining 1,700 shares pending further developments. I passed a commission on 1,700 shares of stock but the customer's welfare is the most important consideration. When the time comes to sell that 1,700 who do you think will get the order? And how about other business that will develop as a result of taking the advice given to me many years ago? "Put yourself in your customer's place and you'll never have to look for customers"; and it works today just the same as it did in that little country store years ago in Ohio.

The best sales talk I ever made was when I told a prospect not to buy. If you think the timing is wrong—the investment is wrong—or anything else is wrong—don't be afraid to discourage a customer or prospect from making an unwise decision. The commissions you don't make today you will earn double tomorrow—the kind of integrity that we build into our relationships with each other today will become the foundations of a better America of tomorrow. In fact, it was people like my father and many other unsung businessmen both large and small who built this country into a nation of moral and intellectual integrity. The same opportunity exists today and will continue to do so as long as freedom reigns in this land of ours.

John M. Barbour Adds

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Adelyn S. Jensen has joined the staff of John M. Barbour & Co., Citizens Bank Building.

With Hannaford Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Jack Bayliss and Otto C. Dockter are now with Hannaford & Talbot, 519 California Street.

Mutual Funds

By ROBERT R. RICH

THE POSSIBILITY of converting The Colonial Fund, Inc. into an open-end investment company, or mutual fund, is referred to in the quarterly report mailed to stockholders.

James H. Orr, President, in his letter to stockholders, states that the directors have the matter under active consideration and that plans are now being formulated.

He points out that problems of a technical nature exist and that there is no assurance that the Fund wil be "open-ended," but that he is keeping the stockholders informed "since such a change would be fundamental in nature and would require stockholders' action."

The Colonial Fund, formerly known as Railway and Light Securities Company, was founded in 1904 and, in celebrating its 50th anniversary this year, is the oldest leverage investment company in the United States. Its net assets were $13,994,000 of Feb. 28, and the net asset value of its common stock was $22.76 per share.

The investments of the Fund are diversified with about 81% of net assets in common stocks and 18% in bonds. Electric utilities, oils, gas utilities and chemical and drug stocks form the largest groups in the portfolio. The investment adviser of the Fund is Colonial Management Associates, a Boston firm which acts in the same capacity for Gas Industries Fund, Inc. and The Bond Investment Trust of America.

CALVIN BULLOCK, sponsor of mutual funds, reports a 50% increase in Dividend Thrift Plans started in the first two months of 1954, compared with the similar period last year. This plan is a method of purchasing Dividend Shares on a periodic purchase plan.

The company gives much of the credit for this gain to the publicity generated by the New York Stock Exchange's instalment purchase plan.

The company states that this publicity stimulated the interest of investors in a program based not just on one stock but on a diversified list of common stocks under constant, professional management.

Initial purchases under the Dividend Thrift Plan average approximately $500, twice the required sum, and subsequent purchases average approximately $100.

"WHAT YOU can gain by investing in Diversified Investment Fund" is the title of a new folder on that fund, just completed by Hugh W. Long & Co. In the folder is a record of quarterly dividends paid by the fund and a computation of current return which is 5%.

The folder shows that currently the fund's common stockholdings are balanced by a 30% weighting in bonds, preferred stock and cash.

In listing the investment holdings, the common stocks are classified according to the number of years in which they have paid continuous dividends. More than 40% of investments are in companies that have paid dividends without interruption for 15 to 50 years.

WILLIAM P. BOMAR, Fort Worth, President and General Manager of Bewley Mills, has been nominated as a member of the board of advisors of Southwestern Investors, Inc., Jerome K. Crossman, chairman of the board of directors of the investments firm, announces.

The nomination of Mr. Bomar, by the board of directors of the investments trust, is scheduled for approval by the full directorship.

Mr. Bomar, a business and civic leader of Fort Worth, is chairman of the board of Associated Employers Lloyds Insurance Co., of the General Insurance Co., of the Houston Fire & Casualty Insurance Co., and of the W. I. Cook Memorial Hospital Center for Children.

He is a director of the Fort Worth Grain & Cotton Exchange, the Fort Worth Freight Bureau, of Millers' National Federation, The Missouri-Kansas-Texas Railway Co., Texas Electric Service Co., Texas Utilities Co., State Reserve Life Insurance Co., Airmaid Hosiery Mills, the Fort Worth Club and of the Whaley Co.

Mr. Bomar, together with other advisors of the investments firm, will help plan the investments of the firm's participants in stocks and bonds. New funds are being added to Southwestern Investors continually, currently at the rate of $10.81 per share, and investments in the pool may be converted back into cash on demand. The trust firm's offices are located in the Fidelity Union Life Bldg., in Dallas.

Investment advisors include some of Texas' most outstanding industrialists, businessmen and investment experts. They are Milton F. Brown, President, Mercantile National Bank; Fred F. Florence, President, Republic National Bank; D. A. Hulcy, President, Lone Star Gas Co.; J. L. Latimer, President, Magnolia Petroleum Co.; H. N. Mallon, President, Dresser Industries, Inc.; Stanley Marcus, President, Neiman - Marcus Co., all of Dallas, and Robert McWhirter, President, First National Bank of Paris, Texas.

Directors include Mr. Crossman, investments expert and attorney; Joseph N. Fisher, real estate operator; Dean P. Guerin, investment banker; Ralph B. Rogers, President, Texas Industries, Inc., all of Dallas, and William I. Clifford, Amarillo rancher.

"It is our effort," said Chairman of the Board Crossman, "to represent the broadest possible cross-section of business and industry in our advisory group. Mr. Bomar brings to us a wide knowledge of general business as well as detailed understanding of the specific industries with which he is affiliated."

TOTAL NET assets of the six investment companies in this country and in Canada under the management of Calvin Bullock exceeded $250,000,000 at the end of February, according to an announcement made today. The largest fund under this management is Dividend Shares, Inc. with assets at a new high of $128,429,000. The next largest is Canadian Investment Fund, Ltd., offered in Canada, with assets of $48,482,000 on that date.

Other investment companies under Calvin Bullock management are Canadian Fund, Inc., with $25,303,000; Nation-Wide Securities Co., Inc. $20,462,000; Bullock Fund, Ltd. $16,284,000 and Carriers & General Corp. with $11,418,000.

THE 24-YEAR-OLD Fidelity Fund has just moved into that small and select group of mutual investment companies whose assets top the $100 million mark.

The crossing of the $100 million mark by Fidelity was reported by its President, Edward C. Johnson, 2nd, who said that resources of the Fund, which started business back in 1930 with less than $50,000 now amount to $100,625,715 owned by close to 30,000 shareholders throughout the country. The new high mark follows a more than $8 million increase in assets since the first of the year and climaxes a $50 million growth since 1950.

The Fund closed 1953 with net assets of $91,793,299, equal to $17.23 per share on the 5,326,261 shares then outstanding. The average individual investment amounts to $3,500.

Mr. Johnson attributed the growth of Fidelity to the fact that more people are turning to mutual funds as the medium through which they can combine their investment funds and receive the same professional care and attention provided large investment accounts. He believes that the growing popularity of investments companies is in its early stages and that much greater popular acceptance lies ahead. He thinks that people are becoming used to an investment medium like investment companies which fluctuate in price, yet are entirely sound in long run value.

THE CROSSING of the $300 million mark in assets by the 25-year old Wellington Fund was reported by its President, Walter L. Morgan.

The new high mark climaxes a nearly $20 million increase in assets since the close of last year when resources of the Fund totaled $280,894,213. By way of striking contrast, Wellington's total resources at the end of its first complete year of record, 1929, were $194,769. At that time, the Fund was an all-Philadelphia enterprise, organized by Mr. Morgan with the idea that the investment accounts of his family and friends could be better managed collectively than individually.

Today this multi-million dollar company is nationally-known with a list of shareholders numbering approximately 120,000 in the 48 states and in 23 foreign countries. Moreover, members of the management of Wellington and their families continue to be substantial holders of the Fund's shares. This ownership, according to the latest prospectus, is in excess of $1,000,000.

Behind the impressive growth of the Fund—it added $34.7 million in assets and more than 20,000 shareholders last year—is the story of a stated conservative investment policy that is no different today than it was 25 years ago. Mr. Morgan summarized that policy this way: "Proper balance in investments at all times." Balance, as defined by the Wellington executive, means investment not in just one type of security, but in different types, such as bonds, preferred and common stocks; and these are varied from time to time to meet changing conditions.

"Today," Mr. Morgan continued, "I'm still bullish on mutual funds in general and balanced funds in particular. We find that people are dissatisfied with bonds but are afraid of jumping straight into common stocks. As a result," he concluded, "more and more investors have been finding a happy medium in Wellington's balanced program."

TRUSTEES of Eaton & Howard Balanced Fund have declared dividend of 30 cents per share. This 88th consecutive quarterly distribution is payable March 25, 1954, to stockholders of record at close of business March 15, 1954. In 1953 the first quarter dividend was 29 cents per share.

TRUSTEES of Eaton & Howard Stock Fund have declared dividend of 22 cents per share. This 90th consecutive quarterly dividend is payable March 25, 1954, to stockholders of record at close of business March 15, 1954. In 1953 the first quarter dividend was 21 cents per share. Both dividends approximate the per share net investment income of each fund during the year's first quarter.

THE ANNUAL REPORT of the 15-month-old Value Line Income Fund showed net assets of $5,865,083 as of Dec. 31, 1953, compared to net assets of $553,141 at the end of 1952. Asset value per share was $4.55. Dividends paid in 1953 totaled 45 cents a share from earned income.

At year's end, 79.7% of the Fund's assets was invested in common stocks representing 63 companies and 28 industries with 10% in aircrafts; 7.9% in department stores; 6.9% in mining and metallurgical; 6.1% in steels; 6% in machinery; 5.7% in auto parts; 4.6% in sugar; 4.5% machine tools; 4.2% in milling and baking; 3.9% in building supplies; 3.8% in agricultural equipment and the balance spread out in other manufacturing fields. 8.5% of capital was invested in bonds, and 4.3% in preferreds.

Gavin H. Watson, President of Value Line Fund Distributors, Inc., reported record sales of $1,535,279 in the month of January, 1954, bringing the Fund's total net assets to $7,400,362 with 1,593,996 shares outstanding at Jan. 31, 1954.

THE VALUE LINE Fund reported total net assets of $7,130,415 as of Dec. 31, 1953. After adjusting for a capital gain distribution of 12 cents a share, net asset value was $6.11, unchanged from the $6.11 per share value at the end of 1952 reflecting steady performance compared with a 6.8% drop in the Dow Jones Composite Average and a 5.7% drop in Standard and Poor's Average as well as a 10.6% drop in the Value Line Composite Average of 100 stocks in 1953. In addition to the 12 cents a share capital gain distribution, the Fund paid dividends totaling 18 cents a share from earned income during the 12-month period.

At year's end the Fund held 34.7% U. S. Governments and other cash reserve bonds; 9.7% secondary bonds; 8.1% preferreds and 43.1% commons, representing 19 industries with its heaviest single commitment in National Homes Corp. Portfolio changes in the fourth quarter included sales of American Colortype; Fruehauf Trailer; Muller Brass; Douglas Aircraft; N. Y. Air Brake; Philip Morris; Standard Brands. Purchases were Canada Dry; Loew's; National Theatres; Universal Pictures; Warner Bros. Pictures.

Arnold Bernhard, President, reported to stockholders that common stock commitments have ranged from 40% to 60% of invested assets since April, 1951. He stated that it was management's belief that advantageous opportunities would be found for full employment of capital in common stocks in 1954 and 1955 if (1) stocks fell far enough below their Value Line Ratings to indicate that stocks have again reached a buying juncture as in 1949, and (2) if the Ratings, which now point downward in reflection of declining dividend payment estimates, should level out and begin pointing upward, as they did in 1949.

AN INCREASE of $3.6 million in net assets of Television-Electronics Fund in its first fiscal quarter ended Jan. 31, last, boosted its total to an all-time high of $31,509,881, it was reported.

The Fund closed its first fiscal quarter with the largest number of shares outstanding in its five-year history. They totaled 4,384,527 on Jan. 31, last, as compared with 4,019,842 on Oct. 31, 1953, after adjustment for a two-for-one stock split.

NEW ADDITIONS in the investment holdings of the Bullock Fund during the three months ended Jan. 31 last, included 5,000 shares of American Natural Gas Co., 900 shares of Atlas Powder, 4,100 shares of Lorillard, 1,300 shares of Mead Johnson, and 3,000 Reynolds Tobacco.

Additional purchases of stocks of companies already held included 2,500 shares of Bethlehem Steel, 1,000 shares of Murphy (G. C.) Co., 1,500 shares of Seaboard RR., 2,000 shares of Union Oil of California, 5,000 shares of U. S. Steel, and 1,300 shares of Western Leaseholds, Ltd.

Sales included 2,500 shares of Associated Dry Goods Corp., 3,800 shares of Consolidated Mining & Smelting Co. of Canada, 1,065 shares of Lockheed Aircraft Corp., and 2,000 shares of Socony-Vacuum Oil Co.

Eliminated were Allegheny-Ludlum Steel, Chrysler, Collins Radio, Consolidated Edison of N. Y., Lily-Tulip, Ohio Edison, Portland General Electric, Texas Utilities, Wayne Knitting Mills, and Wheeling Steel.

THE REASONS why more than 50,000 investors and investing institutions have selected Fundamental Investors' shares is the subject of an eight page folder just completed by Hugh W. Long & Co.

The fund's record of accomplishment is set forth in a ten-year chart, and in a 21-year table covering the entire period of the fund's existence.

Another chart shows how the dividends paid by the fund have much more than kept pace with the rise in the cost of living during the past ten years. Included also in the folder is the most recent investment portfolio which shows that the fund's largest holdings are in the oil and gas, public utility and chemical and drug industries.

Personal Progress

THE ELECTION of John A. Fuller, President and director of the Shawinigan Water and Power Company of Canada, as a member of the advisory board of Canada General Fund was announced by Henry T. Vance, President of the Fund.

John A. Fuller

Mr. Fuller, who was born in Montreal, attended Hotchkiss School in Connecticut and graduated from Princeton, class of 1924. His present business affiliations include, among others the Quebec Power Company, President; The Canadian Light and Power Company, President; the British American Oil Co., Ltd., director; and Montreal Trust Company, director.

In announcing Mr. Fuller's election to the fund's advisory board, Mr. Vance expressed optimism concerning Canada's economic progress for 1954.

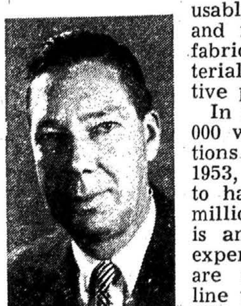
"There will be no dearth of developments in Canada this year," Mr. Vance said. "This year the huge new hydro-electric plant at Niagara Falls is scheduled to go into operation. The first phase of the great power development at Kittimat for the manufacture of aluminum will be completed and the first shipments of iron ore will be made this year from the 'Labrador Trough' over the newly-constructed railroad to tidewater."

Preliminary figures for Canada's economic situation in 1953 also are extremely encouraging, Mr. Vance pointed out. "The Canadian gross national product is estimated to have shown a 4% increase over 1952, a continuation of the trend in effect since 1945," Mr. Vance said, "and personal income rose more than 5% last year."

HUGH H. FOSS, Assistant Vice-President of National Securities & Research Corporation, will leave New York over the week-end for a week's tour of the company's mutual fund dealer organization in California. He will be joined in Los Angeles by Rufus Carter, Resident Vice-President of the company.

Hugh H. Foss

FRANK J. HOLCOMBE, Jr., has become associated with The Crosby Corporation of Boston, general distributor of Fidelity Fund and Puritan Fund. His office will be at 111 Broadway, New York City.



F. J. Holcombe, Jr.

Mr. Holcombe, a graduate of Rutgers University and formerly a partner of Banks and Holcombe, has been in the securities business for the past 25 years. He has been a mutual fund wholesaler since 1948 and in this capacity will represent the Crosby Corporation in the East. Fidelity Fund, whose assets recently crossed the $100 million mark, gained nearly $10 million in the first five weeks of 1954.

WILLIS I. NORTON, General Counsel for Investors Diversified Services, Inc., for the past 20 years, has been elevated by the company's board of directors to the newly created office of "Vice-President-Law."

In 1934, Mr. Norton left an outstanding political career to join I.D.S. A graduate of the University of Minnesota, he served in the Minnesota state legislature, and for many years he was Chairman of its House Rules Committee.

Continued from page 2

The Security I Like Best

wool as the primary raw material, the Company manufactures a number of products, demand for which comes principally from the following fields: building insulation and acoustical products for sound control and sound quieting; appliance insulation (commercial and domestic refrigerators, ranges, water heaters and similar appliances); industrial insulation (roof, pipes, ducts, tanks and process equipment); transportation insulation (marine, railroad, truck, automobile and aircraft).

Fiberglas textile products consist of Fiberglas strands, yarns and cords which are sold to other companies as a raw material for the manufacture of a highly diversified list of end-products. The principal demand comes from manufacturers of electrical insulation; plastics; paper; rubber; and decorative and industrial fabrics.

Fiberglas yarns, or strands are used alone or in conjunction with Fiberglas mat products for the reinforcement of plastics. Fiberglas continuous filament strands and yarns are used for the reinforcement of papers, binding tapes, high pressure steam hose, high temperature belting and other industrial goods.

In the fabrics field, Fiberglas yarns are made into marquisette curtains and draperies, cloths and tapes for pipe and duct insulation, and dust and chemical filters. Fiberglas yarns are also used as a base for coated fabrics, such as awnings, convertible automobile tops and tarpaulins.

Fiberglas Aerocor resembles fiberglas wool, except that the fibers are of much smaller diameter. The lightest Aerocor is made almost exclusively for the aircraft industry for acoustical and thermal insulating purposes.

Fiberglas filters are replacement-type filters developed by the Company for warm air furnaces and air conditioning systems.

Fiberglas has many rare and valuable properties and an important part of the Company's research program has been to discover how to make these properties available in forms that are usable and economical in more and more products and how to fabricate or apply Fiberglas materials at low cost and for effective performance.

In the period 1946-52, $53,977,000 was spent for property additions and capital equipment. In 1953, such outlays are understood to have amounted to around $5 million and a similar expenditure is anticipated for 1954. Capital expenditures at that annual rate are considered normal and in line with the Company's present rate of rapid growth.

The greatest potential growth is in the field of Fiberglas reinforced plastics (FRP), a field pioneered by the Company. In 1942, it was first recognized that fibrous glass was especially suited for use as a reinforcing material in connection with the polyester resins, which had been developed in their modern form in the years just prior to World War II. The first practical application was during World War II, when glass fibers were used as reinforcing material for plastic fuel cell support linings in self-sealing tanks for military airplanes. Next came other wartime applications, such as radomes and small boats.

After V-J Day, furniture, fishing rods, translucent sheeting and various other items were made from this new material, FRP. And the production of this new industry was soon flowing as a raw material into a large variety of manufacturing operations.

At the present, FRP is used in the building and construction industry in the form of corrugated or flat sheeting. It transmits diffused light, insulates against heat and cold, reduces replacement and maintenance costs, has decorative value and provides cost savings in certain applications. Sales of FRP by 20 manufacturing concerns have expanded some 1000% in the past six years.

In the aircraft industry the principal applications of FRP to date are as follows:

(1) For certain purposes, the dielectric (non-conductivity of electricity) properties of FRP are so much better than those of other materials, that its use is obligatory. Included in this category are plane structures housing antennae.

(2) Highly stressed non-structural parts, for example, doors, hatches, fairings, bulkheads, etc., which require a combination of low weight and high rigidity.

(3) Ballistic applications, an important instance of which is the fuel cell lining. Another ballistic application is flak and shell fragment armor for airplane cockpits.

(4) Parts having complicated structural contours — because of the ease with which they can be fabricated out of FRP.

The automobile industry is becoming increasingly interested in Fiberglas reinforced plastics. So-called "sport" cars represent the most likely present field for expanding use of FRP bodies. The primary reason for this is that sport cars are turned out in relatively low volume; and FRP bodies in limited volume can currently be made more economically than can those of steel or aluminum, because of the savings on dies.

The further expansion of the use of FRP in boat hulls is another growth potential. Industry is finding an ever increasing number of uses for FRP as a raw material for both consumers goods and industrial goods. The list of FRP consumers goods items is growing rapidly. It presently includes file drawers, chairs, fishing rods, bathtubs, lamp shades, luggage and toys, to mention just a few. FRP is especially well suited for use as a raw material for consumers goods from the standpoints of both substance and form. As to substance, it has many special and unique qualities; and as to form, it may be said that its molding process type of fabrication permits an almost unlimited variety of decorative and functional design at non-prohibitive costs.

A conservative appraisal of 1954 expectancies suggests that sales will be moderately above those of 1953; profit margins should widen somewhat; and earnings, aided by the absence of the Excess Profits Tax, should increase.

I estimate that under these favorable conditions Owens-Corning should be able to show 1954 earnings of $2.75 to $3.00 a share. This estimate is based on accelerated amortization charges which will reduce earnings by about 17 cents a share. In other words, using normal accounting procedure, the estimate of $3.00 a share for 1954 would be raised to $3.17. On such an earnings basis, the stock at 54 would be selling at 17 times earnings.

Admittedly, Owens - Corning common, listed on the New York Stock Exchange, is over-valued marketwise in relation to current earnings. But when viewed in the light of the normally prevailing price-earnings ratios for equities of the highest grade companies in other rapidly growing industries, I do not believe that its present price should be construed as a deterrent to its purchase by those investors who are primarily interested in long range appreciation and who are willing to ignore the interim fluctuations of the stock market's appraisal of a company's potentialities. This is not to say that substantially better than present market opportunities for buying the stock are ruled out. Rather do I feel that the likelihod of such opportunities is not strong enough to offset the chances that postponement may mean paying higher than current prices.

Bank of America Group Offers So. California Water District Bonds

Bank of America N. T. & S. A. and associates are offering $10,000,000 Metropolitan Water District of Southern California 2¼% Colorado River Waterworks Bonds, Election 1931, maturing April 1, 1955 to 1994, inclusive. The bonds are priced to yield from .75% to 2.60%, according to maturity.

Other members of the offering group include The Chase National Bank; Blyth & Co., Inc.; The First Boston Corporation; American Trust Company of San Francisco; The Northern Trust Company; R. H. Moulton & Company; Security-First National Bank of Los Angeles; Merrill Lynch, Pierce, Fenner & Beane; Weeden & Co. The First National Bank of Portland, Oregon; J. Barth & Co.; A. G. Becker & Co. Incorporated; Wertheim & Co.; Lawson, Levy & Williams; Stone & Youngberg; Gross, Rogers, Barbour, Smith & Co.; Wagenseller & Durst, Inc.; H. E. Work & Co.; Irving Lundberg & Co.; Brush, Slocumb & Co. Inc.; Hooker & Fay; Kalman & Company; and Stern, Frank, Meyer & Fox.

With Negley, Jens, Rowe

(Special to The Financial Chronicle)

PEORIA, Ill.—Ned O. Haney is now with Negley, Jens & Rowe, Jefferson Building.

Joins Slayton & Co.

(Special to The Financial Chronicle)

QUINCY, Ill.—Donald E. Pontius is now with Slayton & Co., Illinois State Bank Building.

With Investors Planning

(Special to The Financial Chronicle)

BOSTON, Mass.—H. Elliot Fuller and Joseph O. Maloney are now associated with Investors Planning Corp. of New England, Inc., 68 Devonshire Street.

McCoy & Willard Add

(Special to The Financial Chronicle)

BOSTON, Mass.—Albert J. Miraglia is with McCoy & Willard, 30 Federal Street.

With Gage-Wiley Co.

(Special to The Financial Chronicle)

SPRINGFIEL, Mass. — William C. McCorkindale has become connected with Gage-Wiley & Co., Inc., Third National Bank Bldg.

Waldron Adds to Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—M. Galatz is now with Waldron & Company, Russ Building. He was previously with [illegible] Securities Co.

Indianapolis Branch

INDIANAPOLIS, Ind.—Paine, Webber, Jackson & Curtis has opened a branch [illegible] Building under the [illegible] of William G. C[illegible]

With Goodbody & Co.

(Special to The Financial Chronicle)

TAMPA, Fla.—[illegible] A. Kerbly has been added to the staff of Goodbody & Co. [illegible]

[Con]tinued from first page

[T]he Randall Report— Back to Marshall Plans

[Rand]all, is known as an ardent [supp]orter of the Marshall P[lan] [and] a "free trader." The V[ice-Ch]airman heads the [world's lar]gest cotton export f[irm] [illegible] [illegible] was instrumental in [illegible] the Marshall Plan to C[illegible] [illegible]s. The one economist on the [Commission]al, an outstanding [illegible] prominent in advocating [illegible] [illegible] country approach" [illegible] [t]o Britain, and the chief of the [steel] workers went on record [as] [illegible] to be expected. [illegible] [an]y one else in virtually [illegible] [illegible]ed generosity at the expe[nse of] the American taxpayer. [illegible] [illegible]se. Mr. McDonald [illegible] behind his rival in the C[IO] [Walter] Reuther of the [illegible] [illegible]ters who not so long a[go] [cl]ored for foreign aid to the [tune] of $1 trillion.

[Gi]ven this set-up, it is [illegible] [illegible]g to find that [illegible] [illegible]eals were carried by a [illegible] majority and punctuated [by] [illegible]ous dissents. In ad[dition] [Senat]or Millikin inserted a [illegible] to the chairman to the [effect] [th]at he wants no part of [illegible]. And the two [illegible] [illegible] in the tariff. Repre[sentatives] D. A. Reed and R. L. S[illegible] [illegible] leading Republicans i[n the] [power]ful Ways and Means C[ommittee] [illegible]e—challenged in a s[illegible] [minor]ity report the majo[rity] approach not only as [illegible] and unclear, but a[illegible] [illegible]al interests of this nat[ion].

[In] short, the Commission [illegible] a fair replica of our [illegible] [illegible] and of its deep-se[ated] [illegible]s, rather than a [illegible] in the maze of our for[eign] [econo]mic relations. This [illegible] [tr]anslating the major[ity] [recomme]ndations into legis[lation] [t]hey are of political [illegible] Undoubtedly, they e[illegible] [sh]ift of thinking in the A[dminist]ration. The Preside[illegible] [illegible]es must have been [illegible] that point of view [illegible] constituted the hard co[re] [of the m]ajority.

[Presc]riptions Without Diagnosis

[Ostens]ibly, the Randall [illegible] [r]eport is devoted to a [illegible] [w]hich was not assigned to [the] report . . . is primar[ily] [concerne]d with the steps that [illegible] [illegible]y can take toward so[lving the w]orld's dollar proble[m." Howe]ver, Public Law 215 ga[ve the Com]mission a long list of [illegible] [with]out referring to the [illegible] [illegible]age with a single [illegible] [One m]ay argue, of course, that [illegible] [illegible]sion of America's for[eign] and financial policies is [illegible] without taking that [illegible] [i]nto consideration. But ta[king it] into consideration is [illegible] making it the pri[m]e [illegible] [i]s another matter. The [illegible] [illegible]ation, evident throug[h] [illegible] [re]port, is that it is Amer[ica's "lead]ership" responsibility to [find ways] and means to bridge [the dollar] gap of other nations.

[Fro]m beginning to end, [the Commission']s concern is indeed [with the qu]estion, what we should [do in ord]er to alleviate the d[ollar sh]ortage—to harden the soft [currencies]. Practically all its sugg[estions s]erve that objective. D[ollar shorta]ge is the overriding pro[blem]. [The] majority's collective m[ind . . . The re]port emphasizes that [illegible] [illegible]ss of the outer world [illegible] financial sanity wou[ld] [illegible] [t]o our own benefit—in [illegible] [arra]ngement of internat[ional] [illegible] especially. And it does [illegible] warn the recipient of [Americ]an hand-outs that the[m]selves should put their [house] in order. But such w[arnings ar]e not translated into polic[ies] [and condit]ions. Tariff concessions, [illegible] [illegible] and "loans," subsidies [illegible] [illegible] abroad, "military" [illegible] loans, etc., are [illegible] dependent on specific [illegible] of efforts on the part of the foreign beneficiaries.

[One] apparent exception is the [pro]posal that the "Buy American" [illegible] should be relaxed for the ben[efit of] those countries which [illegible] But European [illegible] have no "Buy Domestic" [illegible] they could scrap de [jure; their] governments just do [illegible] de facto if they [illegible].

In other words, this (Republi[can] [illegible] takes it up ex[actly where] its Democratic pred[ecessor] left the problem child: [illegible] doorstep. It does so [illegible] offering a better justifi[cation] for this attitude than the [fact] that the outer world is gain[ing gold] and dollars at the annual [rate of] over $2 billion, while our [illegible] and related aids alone [are runn]ing at the rate of $5 bil[lion, leav]ing a dollar gap of $2 to $3 [billion]. Putting it the other [way, w]e are disbursing twice as [much] at least in pure handouts [as the w]orld needs today. The [illegible] [illegible] to the conclu[sion] that this country has to take [the] necessary steps in order to [close] the gap. This is, of [course, a] classical case of trying to [illegible]. The mere exist[ence] of a dollar shortage does not [illegible] that it is Amer[ica's] [illegible] The Commis[sion] [illegible] that the Europeans [illegible] at fault; why [they sh]ould have further assistance [illegible] their mending their [ways].

Randall vs. Convertibility

[It] could be that the dollar gap [illegible] the soft currencies [illegible] convertible. This is [illegible] the minority report [illegible] facts or [illegible] its thesis. A [illegible] of experts on [both sides of] the Atlantic and [illegible] leading Belgian and [illegible] believe in this [illegible] Germany's Dr. Erhard, in [illegible] more than willing to [illegible] and to scrap at [illegible] exchange barbed [wire as] fast as [he] can, the dis[criminatory] import restrictions, [illegible] to unlimited multi[lateralism]. He is stopped by Brit[ish] [illegible]. But the Randall [Report] pays no attention to opin[ions] [illegible] own preconceived [illegible] It pays lip-service to [convertibility] and mul[tilateralism] [illegible] does not—but [illegible] Europe against haste in [illegible] That means, [illegible] things as they [are: the] soft currency countries [illegible] commercial [illegible] preserve their eco[nomic] [illegible] and maintain [illegible] discrimination against [illegible].

The Commission made no at[tempt] [illegible] to justify this [illegible] through thick [and thin the offici]al British line [illegible] passes what [illegible] themselves con[illegible] their dollar [illegible] stabil[ization] [illegible] an output in [illegible] done well [illegible] Hutton's [illegible] "Prosper," that [illegible] documen[illegible] productivity [illegible] 1953 in two [illegible] the Ster[ling] [illegible] balance of pay[ments] without additional [illegible] over the follow[ing] [illegible] which "The [illegible] greeted the English on New Year's day, 1954 (applicable to most of Europe and beyond):

"The weaknesses which stand in the way [of a major increase in production] are easy to recognize and hard to cure. On both sides of industry there are all too frequently a lack of enterprise, vigour and adaptability, an obsession with security, an unwillingness to compete, to take risks or to emerge from the protective shells of price-rings, quota-agreements or established trade union rules. Even an increase in industrial capital development and re-equipment . . . is limited in many places by attitudes in industry itself rather than by a lack of savings. Too often re-equipment is inhibited by the *reluctance of organized labor to permit economies of manpower* to be realized and by the *reluctance of capital to risk the outlay* involved. Often, too, *re-equipment and development are misdirected* because the rigidity of the economy has obscured the real basis on which valid economic judgments should be made. These weaknesses are due in part *to crippling taxation, which distorts the whole relationship between risk and reward.* To some extent, too, defensive and passive attitudes have been fostered by the long period of combined government control and sellers' market. In part they go much deeper—down to the whole philosophy of security which has been taking root for many years." (Italics mine.)

Evading the Issue

If some $46 billion in direct aid, not counting the "indirect" subsidies, since the last war did not eliminate such impediments to higher productivity, what is to be expected from further support?

And low labor productivity is only one-half of Europe's dollar problem. The other half is wages. The financial tragedy of Britain, for one, is summarized in a few comparative data on manufacturing:

Percentage Increase Between the Average of the Last Three Prewar Years and 1952

	U.K.	U.S.
Volume of production	+23%	+113%
Output per man	+11%	+40%
Labor earnings	+175%	+130%

In Britain, labor productivity lags far behind, but wage bills run well ahead, of their American equivalents. Her labor costs per unit of output are rising faster than those of the U. S. (and of Germany!). The same holds, more or less, for most of our "wards."

The Commission made no effort to appraise the discouraging results and consequences of the postwar global spending spree, such as the perverted economics of low productivity and relatively high wages (plus exorbitant "fringe" benefits). But, one may ask, what can we do about other people's folkways? The answer is that we need not finance them. In fact, our spending proficiency induces their behavior. Why not take it easy and run into deficits if Uncle Sam stands by to pick up the bill? And what guarantee is there that by continuing the subsidies we would pave the way "gradually" toward all-round convertibility?

That lately Europe's over-all dollar position is improved, offers no promise for the future. It has happened before — for a short while. Presently, it is due to nonrecurrent circumstances: relatively favorable terms of trade; reduction of dollar imports by ruthless restrictions; living on (or off) inventories: moderate increase of exports to the dollar area, thanks to heavy export subsidies; the windfall of gold from Russia; relaxation in the Cold War, reducing the capital flight out of European currencies; record-sized American aid, etc. Virtually every one of these favorable circumstances might be reversed on short notice. A fresh 5% "wage round," which is a distinct possibility, may price Britain out of the world markets. The international accounts behind most of the soft monies are in a very precarious situation, the respective national budgets far from balanced, public expenditures and currency systems still over-inflated.

That is where convertibility comes in as the decisive weapon to force the necessary domestic adjustments without which the return to convertibility would be a futile experiment. The British argument that their gold and dollar reserves have to be "adequate"—meaning that a huge American credit must be made available—implies that they refuse to make the necessary adjustments in fiscal, monetary and trade policies. If so, a multi-billion stabilization credit soon would be wasted just as the $5 billion American-Canadian loan was dissipated in 1947. Without making the domestic adjustments, convertibility would boomerang in the form of gold and dollar withdrawals. But if the adjustments are made, little if any outside aid would be needed. In fact, the "aid" would come naturally in the shape of commercial capital inflow as well as through the re-opening of gold and dollar treasures held privately. They are hoarded today because of the inconvertibility of the respective currencies, the insensibility of the tax systems, the inflexibility of price structures, and, generally, the stupidity of anti-capitalistic policies.

The Economics of Double-Talk

The majority of the Randall Commission was up against a problem in dialectics that blurred its thinking and resulted in middle-of-the-road compromises which are unsatisfactory to all concerned. They are too timid for the one side, and too bold for the other. Its report is aware of the facts of life: that no dollar aid can make countries self-supporting if their own policies stymie enterprise, discourage incentive, saving and work. Yet, it chooses to advocate putting the burden of global dollar shortage and currency stabilization on the American taxpayer.

In one respect, however, the report marks a significant progress over the economic and political lingo of the last decade: there is no more ballyhoo about raising the living standards of the world's underprivileged millions. The claim of underdeveloped areas to a *right* to American assistance is answered with a categorical, "We recognize no such right." (Mr. Milton Eisenhower and other protagonists of handouts to Latin America will not like this, nor will the Latins themselves.) Does this mean that no more aid should be granted to those areas? Or merely that such aid should not be construed as an obligation of the donor? In any case, no such language is addressed to the European Allies who clamor more insistently for American subsidies than they ever did for German reparations. The obvious implication is that what is *not* sauce for the backward goose, is sauce for the "forward" gander. And it is a rich sauce we are supposed to keep dishing out, as we shall see presently.

"There now appears to be no need for further economic aid in the form of grants" to Europe. This sounds reassuring: in reality, it is little more than an irritant to the Europeans who do not like to be reminded of their humiliating position. Otherwise, it means nothing because:

(a) "exceptions" are permitted in the form of off-shore procurement, the volume of which is not defined by anything more precise than the all embracing generality: "the Commission recommends that contracts . . . be placed abroad on the basis of considerations of cost, availability, and quality . . . that govern effective procurement policy at home, *or on broad strategic judgments* . . .;

(b) beyond that, loans as well as Federal guarantees and tax privileges for private loans should be provided in lieu of grants—as if defaulters could be taken into court;

(c) military aid proper, whatever that covers, should be continued subject to military-political considerations only, i.e., without any financial limitations;

(d) even outright grants, not just loans, are recommended "where support is needed to maintain military forces or to conduct military operations . . . beyond the economic capacity of a country to sustain," which makes almost every country, from Korea to Norway, eligible for political handouts; lastly,

(e) if Europe wishes to make its currencies convertible, the attempt should be supported by putting at its disposal the $3.3 billion now held in the Monetary Fund, plus unspecified stand-by credits by the Federal Reserve—back to monetary stability on the back of the dollar—with no control whatsoever over the funds thus engaged.

Aid, Not Trade

As was to be expected, the proposed perpetuation of large-scale foreign aid is accompanied by vehement expostulations about American trade policies. Our farm policy, in particular, is subjected to a scorching criticism (there was no farm representative among the Presidential appointees!), which leads nowhere. The Commission admits that farm problems are beyond its competence, and offers no solution. It is satisfied with creating the misleading impression that our domestic commodity supports, plus agricultural import duties and embargoes, are a major factor in the world's dollar shortage. It does so by failing to bring home that the viciously "autarchist" farm policies abroad (such as the double-price system *a la* Brannan that Britain is experimenting with, on top of subsidies, tariffs and quotas for farm products) are altogether independent of ours. And it sidesteps the fact that our high agrarian prices—which help to boost our wage level—are a boon to Europe: they reduce our competitive powers.

As to the tariff, the report suggests that the President's expiring power under the Reciprocal Trade Agreements Act should be prolonged for three years, duties to be reduced at his discretion by 4% annually. Of course, tariff administration should be simplified (though it is far less "barbarous" than the totally arbitrary administration of European and Latin exchange restrictions and import "contingents"). All of which would add up, the London "Economist" commented, to an increase of American imports by a few hundreds of millions of dollars — a drop in the bucket. At that, the bucket has a big hole: the escape clause and the peril clause are to be strictly observed.

Small as these and related trade concessions are, in view of what was expected, they aroused the ire of the protectionist wing of the Commission. In one respect, the minority report's censure is fully understandable. It points out that our tariff barriers are very moderate compared with the trade obstructions erected by exchange and import controls abroad; and that American industry is "entitled" to protection against manifest dumping—selling with the aid of export risk guarantees, dollar retention schemes, "switch" rates, and direct subsidies—practiced by European competitors.

"Our actions must be matched by comparable efforts on the part of other nations of the free world," the Randall report announces solemnly. But this is not followed up by concrete proposals. The underlying philosophy may be summarized briefly by saying that the commercial concessions proposed are scarcely significant; instead, handouts are to flow in indefinite amounts for an unlimited time, with no control over their use, no *quid pro quo* asked from the beneficiaries, and no other consideration for guidance but our alleged or real national security interests.

The Fallacy of Military Aid

National security is the reason, or excuse, for the Randall approach, leaving aside other arguments occasionally thrown into the bargain. That is where official thinking stands now, having run the gamut from the charity approach at the War's end to the Marshall Plan idea of making Europe self-supporting — the famous last aid to end all aid. What matters presently is military aid, combined with such economic assistance as "needed" (by military standards) to enable allies and friends to do their own share. Which is tantamount to the economist's self-effacement, surrendering his function to the generals and admirals — or to the commanding politicians.

But the very distinction between military aid and economic aid is a fallacy. The Randall report, for one, makes no attempt at a definition. In reality, every so-called economic aid, provided it is worth anything, is of military value, if only by strengthening the "potential" of the respective country. Vice versa, every military aid serves economic purposes, directly or by indirection, if only by relieving the subsidized nation of arms expenditures. In fact, it is largely military aid to France, totaling in the current year about $2.5 billion, that covers most of her balance of payments deficit while the counterpart funds of the same handouts take care of her budget.

The concept of military aid involves more than one fallacy. In the first place, it is self-perpetuating. The sinews of war we furnish abroad are an unbearable burden on the recipients, or so they complain, unless we shoulder the high cost of maintaining, storing, servicing and renewing — at an annual $1 to $2 billion already, according to the Randall report. The more weapons we provide, the higher will go the costs which do not even account for the obsolescence of weapons.

Another fallacy of the military aid is its implied assumption that we can build up a Maginot line in Europe that would match Russia's forces — as if they would stand still and not match our preparations by adding to theirs. Leaving aside the waste and corruption cropping up in our world-wide "infrastructure" projects: how far can we carry this race? What if some of our "Allies" refuse to go along further or turn "neutral"? The tremendous build-up would be wasted. The risk that a huge amount of equipment stored abroad might fall into enemy hands is not negligible either.

Perpetual Spending?

If stopped, or appreciably reduced, foreign aid is bound to boomerang—to make enemies instead of friends. In a major war, it may turn out to have been a colossal mal-investment. In peace, it actually discourages military preparations in a Europe that by this time should be perfectly capable of taking care of itself. The six nations of the (still-born) European Defense Community alone, even without the French, Belgian and Dutch colonies, have a combined population of 158 millions, equal to America's; and a steel capacity of 40 million tons, superior to Russia's, to say nothing of their superior skill and know-how. With Britain and the rest, Europe should be more than a match for the Soviets. But why should they break down their comfortable domestic rigidities and increase the efforts for their own armed security — which is *primarily* at stake, not ours — when America has adopted the incoherent theory that they have to be supported with or without doing their own share?

The balance sheet of that theory was sharply drawn up by an American not suspected of being an isolationist: by W. G. Mallory, Executive Director of the Council on Foreign Relations (in the January, 1954, issue of "Foreign Affairs":

"Governmental programs, much emphasized in recent years, seek to charm the alien by gifts of money, by wide distribution of the printed or spoken word, by the sharing of technical knowledge. . . . From the earliest times nations have given assistance to their allies and bribed neutrals and their enemies. As an emergency measures such methods have utility, but they soon become self-defeating. Once an emergency measure, such methods recipient turns him against the donor. The subsidy is a mark of inferiority; and, indeed, if continued long may bring the giver to the same level of poverty."

Fortunately, American military thinking is not likely to be stagnant. President Eisenhower's budget for fiscal 1955 shifted the armament emphasis, if cautiously only, from manpower, bricks and ships to planes, super-weapons and research. Whether this is due to a new strategic outlook ("peripheric defense"), forced on us by French and Italian reluctance to join the E.D.C., is immaterial. What matters is that military aid to Western Europe, disregarding special situations of limited scope, is on the way to losing the last thread of rational justification. Economic assistance has lost it long ago.

The Randall Commission's advocacy of both—the one in an uninhibited, the other in an equivocal fashion—is a definite step backward: to the age of self-defeating Marshall Plans.

Continued from page 5

Boomland Germany— For How Long?

votion to free competitive markets.

One recovery prop, whose existence harbors accompanying vulnerability, is contained in our large-scale troop expenditures. A major contribution to the country's surplus in the dollar area is the $250 million received from our troop expenditures, of which $210 million flows from personney pay and the balance from P-X sales. This does the recipient country far more good than does off-shore procurement which uses up real resources, and is to be contrasted with the 12% or so of an armament economy's gross product wasted in defense.

Should self-armament come in with EDC, inflation may then possibly break out here, taking up the existing slack and more.

Bearish Items

Included in our objective balance sheet must be included some liabilities. Foremost of these is the still awesomely rubble-ridden City of West Berlin. Behind this "show window of freedom" is a most costly economic institution. A strategic political necessity, this *Distressed Area*, with 220,000 unemployed, is a permanent heavy financial burden. Whereas the U. S. used to be the source of subsidy here, on an ability to pay criterion; the burden has now been largely shifted to the shoulders of the Federal Republic—to the extent of 1.2 billion marks ($300 million) last year versus $37 million given by the U. S. Particularly in view of the continued refugee influx, no solution of this political-economic problem is in sight.

Another continuing *minus* is the absence of a capital market, with a shortage of a long-term capital. Highly-taxed bonds and stocks must compete with a government bond yielding 5% tax-free. Siemens just had to pay 8% on a long-term bond issue, and even so the operation was largely refunding.

A Mark Gap

Ironically, Germany's great export success, combined with her import austerity—creating a mark "gap" relative to the soft currency countries—must be included with the negative potentialities. Along with her embarrassing surpluses in EPU, she is piling up huge trade surpluses of unusable goods—a real problem which may be costly to a nation which has not yet learned to function as a creditor.

Again we must realize that the institution of urgently needed reforms of a free economy were greatly facilitated by virtue of the fact that they were emergency steps enacted in an occupied country; with the necessary measures, politically unpopular though they were, enacted under the aegis of those forces. How long will that honeymoon carry on?

And midst the prosperity there are still 223,000 unemployed, with particular incidence among the white collar contingent.

* * *

With relatively little expansionary activity apparently still ahead, and with production already showing some tapering off, it would be our guess that, barring the holocaust of an all-out war, the country will settle at a healthy normal economic growth, in lieu of boom.

Leslie Securities Formed in New York

Leslie Securities Corp. has been formed with offices at 52 Wall Street, New York City, to act as underwriters, distributors and dealers in industrial, public utility and railroad stocks and bonds, bank and insurance stocks and mutual fund shares. Officers are Harry B. Leslie, President, and Frederick M. Riekert, Secretary and Treasurer. Both were formerly with Bonner & Bonner, Inc.

Three With E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Lucille E. Brown, George H. MacGregor and Clarence L. Warren have been added to the staff of E. F. Hutton & Company, 623 South Spring Street. Miss Brown was previously with Merrill Lynch, Pierce, Fenner & Beane.

Three With Sam. Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Russell W. Gerst, Robert L. Mullins and Minnie Stober have become associated with Samuel B. Franklin & Company, 215 West Seventh Street.

Hemphill, Noyes Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Joseph A. Dalton has been added to the staff of Hemphill, Noyes & Co., 510 West Sixth Street.

Securities Salesman's Corner

By JOHN DUTTON

"Tradin' Places With the Customer"

Years ago, in a little town in Ohio, my father operated what in those days was known as a general store. I grew up in the business. One of my first recollections was when I was about five years of age my father took me behind the counter on which he wrapped packages and patiently showed me how to tie up an assortment of wearing apparel. First he started with a man's shirt, and after I learned how to make a neat job of that, he added other items. He took an interest in my first step toward a business education. As I grew older I worked in that store and I learned quite a few things about "human nature." If there is any difference between the merchandising policies that are successful in selling securities and those which can be applied in a small town retail store, it is a matter of degree only. The fundamentals are the same. You build a business by exerting effort constructively.

It's Good Advertising

One day while I was watching my father wait on a customer a very irate woman came into the store and complained to me that a sweater she had bought for her husband was improperly knitted and that it unravelled as soon as he tried to wear it. Anyone could have readily seen that the sweater had been snagged and that a large tear had been made by some nail or other jagged projection that had caught in the yarn and that this customer was trying to obtain a refund to which she was not entitled. My father heard the rumpus and walked over to where I was standing with the customer. He excused himself from his customer first and he quietly asked the woman the reason for her complaint. She heatedly told him the same story as I had heard. Without a word my father went to the register and refunded her money. Then he said, "I am sorry you were displeased but remember—anything you buy here must be satisfactory or your money back." The woman turned and left the store, her mission accomplished.

The other customer turned to my father, whom he knew quite well, and asked, "Why did you give that woman her money back without an argument?" My father replied, "Once in a while I find that some people are unreasonable and she was. That sweater was snagged and she knew it. But rather than have anyone dissatisfied and go around town telling people what a bad deal they got here, I find that even those few who are unfair make the best advertisement I can get for my business. Sometimes things I sell are defective; that happens in every line of business. I can't help it and usually the manufacturer can't either. I make the refund because I know that the firms from whom I buy will back me up. That's why I sell good merchandise and try to give people value received. It pays me better than any other form of advertising I can do."

Goodwill Must Be Earned

My father went through a period of about 40 years running a small town business. Even in years when there was a nation-wide panic he was able to keep his doors open and during all that time he never failed to earn a living and sometimes a little more for his family. He was one of the old time merchants who valued his good name and his credit standing. He had a one price store and he sold for cash unless a good customer or a deserving member of the community needed credit. Regardless of competition and business conditions we always ate regularly in our house even if Dad never got rich. The reason I am telling all this is that I believe that one thing more than anything else made it possible for that little country store to go on and prosper for a good many years, and that was because my father always said, "Put yourself in the customer's place." He did that, too. People were loyal to him and he built a solid foundation of goodwill.

Any Business or Profession Must Serve Well to Grow and Prosper

The other day a new client of mine called me on the phone and asked my opinion of a speculative stock. To the best of my ability I checked it. Some things didn't look too promising. I told the customer the whole story as straight and completely as I could. He said, "I have 2,700 shares. How about selling 1,000?" I said that I agreed. The 1,000 were sold.

The next day I received information that caused me to change my mind, at least temporarily, concerning the future of this company. I called the customer and told him the latest information that was more encouraging. He thanked me and agreed that he should hold the remaining 1,700 shares pending further developments. I passed a commission on 1,700 shares of stock but the customer's welfare is the most important consideration. When the time comes to sell that 1,700 who do you think will get the order? And how about other business that will develop as a result of taking the advice given to me many years ago? "Put yourself in your customer's place and you'll never have to look for customers"; and it works today just the same as it did in that little country store years ago in Ohio.

The best sales talk I ever made was when I told a prospect not to buy. If you think the timing is wrong—the investment is wrong—or anything else is wrong—don't be afraid to discourage a customer or prospect from making an unwise decision. The commissions you don't make today you will earn double tomorrow—the kind of integrity that we build into our relationships with each other today will become the foundations of a better America of tomorrow. In fact, it was people like my father and many other unsung businessmen both large and small who built this country into a nation of moral and intellectual integrity. The same opportunity exists today and will continue to do so as long as freedom reigns in this land of ours.

John M. Barbour Adds

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Adelyn S. Jensen has joined the staff of John M. Barbour & Co., Citizens Bank Building.

With Hannaford Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Jack Bayliss and Otto C. Dockter are now with Hannaford & Talbot, 519 California Street.

Mutual Funds

By ROBERT R. RICH

THE POSSIBILITY of converting The Colonial Fund, Inc. into an open-end investment company, or mutual fund, is referred to in the quarterly report mailed to stockholders.

James H. Orr, President, in his letter to stockholders, states that the directors have the matter under active consideration and that plans are now being formulated.

He points out that problems of a technical nature exist and that there is no assurance that the Fund wil be "open-ended," but that he is keeping the stockholders informed "since such a change would be fundamental in nature and would require stockholders' action."

The Colonial Fund, formerly known as Railway and Light Securities Company, was founded in 1904 and, in celebrating its 50th anniversary this year, is the oldest leverage investment company in the United States. Its net assets were $13,994,000 of Feb. 28, and the net asset value of its common stock was $22.76 per share.

The investments of the Fund are diversified with about 81% of net assets in common stocks and 18% in bonds. Electric utilities, oils, gas utilities and chemical and drug stocks form the largest groups in the portfolio. The investment adviser of the Fund is Colonial Management Associates, a Boston firm which acts in the same capacity for Gas Industries Fund, Inc. and The Bond Investment Trust of America.

CALVIN BULLOCK, sponsor of mutual funds, reports a 50% increase in Dividend Thrift Plans started in the first two months of 1954, compared with the similar period last year. This plan is a method of purchasing Dividend Shares on a periodic purchase plan.

The company gives much of the credit for this gain to the publicity generated by the New York Stock Exchange's instalment purchase plan.

The company states that this publicity stimulated the interest of investors in a program based not just on one stock but on a diversified list of common stocks under constant, professional management.

Initial purchases under the Dividend Thrift Plan average approximately $500, twice the required sum, and subsequent purchases average approximately $100.

"WHAT YOU can gain by investing in Diversified Investment Fund" is the title of a new folder on that fund, just completed by Hugh W. Long & Co. In the folder is a record of quarterly dividends paid by the fund and a computation of current return which is 5%.

The folder shows that currently the fund's common stockholdings are balanced by a 30% weighting in bonds, preferred stock and cash.

In listing the investment holdings, the common stocks are classified according to the number of years in which they have paid continuous dividends. More than 40% of investments are in companies that have paid dividends without interruption for 15 to 50 years.

WILLIAM P. BOMAR, Fort Worth, President and General Manager of Bewley Mills, has been nominated as a member of the board of advisors of Southwestern Investors, Inc., Jerome K. Crossman, chairman of the board of directors of the investments firm, announces.

The nomination of Mr. Bomar, by the board of directors of the investments trust, is scheduled for approval by the full directorship.

Mr. Bomar, a business and civic leader of Fort Worth, is chairman of the board of Associated Employers Lloyds Insurance Co., of the General Insurance Co., of the Houston Fire & Casualty Insurance Co., and of the W. I. Cook Memorial Hospital Center for Children.

He is a director of the Fort Worth Grain & Cotton Exchange, the Fort Worth Freight Bureau, of Millers' National Federation, The Missouri-Kansas-Texas Railway Co., Texas Electric Service Co., Texas Utilities Co., State Reserve Life Insurance Co., Airmaid Hosiery Mills, the Fort Worth Club and of the Whaley Co.

Mr. Bomar, together with other advisors of the investments firm, will help plan the investments of the firm's participants in stocks and bonds. New funds are being added to Southwestern Investors continually, currently at the rate of $10.81 per share, and investments in the pool may be converted back into cash on demand. The trust firm's offices are located in the Fidelity Union Life Bldg., in Dallas.

Investment advisors include some of Texas' most outstanding industrialists, businessmen and investment experts. They are Milton F. Brown, President, Mercantile National Bank; Fred F. Florence, President, Republic National Bank; D. A. Hulcy, President, Lone Star Gas Co.; J. L. Latimer, President, Magnolia Petroleum Co.; H. N. Mallon, President, Dresser Industries, Inc.; Stanley Marcus, President, Neiman - Marcus Co., all of Dallas, and Robert McWhirter, President, First National Bank of Paris, Texas.

Directors include Mr. Crossman, investments expert and attorney; Joseph N. Fisher, real estate operator; Dean P. Guerin, investment banker; Ralph B. Rogers, President, Texas Industries, Inc., all of Dallas, and William I. Clifford, Amarillo rancher.

"It is our effort," said Chairman of the Board Crossman, "to represent the broadest possible cross-section of business and industry in our advisory group. Mr. Bomar brings to us a wide knowledge of general business as well as detailed understanding of the specific industries with which he is affiliated."

TOTAL NET assets of the six investment companies in this country and in Canada under the management of Calvin Bullock exceeded $250,000,000 at the end of February, according to an announcement made today. The largest fund under this management is Dividend Shares, Inc. with assets at a new high of $128,-429,000. The next largest is Canadian Investment Fund, Ltd., offered in Canada, with assets of $48,482,000 on that date.

Other investment companies under Calvin Bullock management are Canadian Fund, Inc., with $25,303,000; Nation-Wide Securities Co., Inc. $20,462,000; Bullock Fund, Ltd. $16,284,000 and Carriers & General Corp. with $11,418,000.

THE 24-YEAR-OLD Fidelity Fund has just moved into that small and select group of mutual investment companies whose assets top the $100 million mark.

The crossing of the $100 million mark by Fidelity was reported by its President, Edward C. Johnson, 2nd, who said that resources of the Fund, which started business back in 1930 with less than $50,000 now amount to $100,-625,715 owned by close to 30,000 shareholders throughout the country. The new high mark follows a more than $8 million increase in assets since the first of the year and climaxes a $50 million growth since 1950.

The Fund closed 1953 with net assets of $91,793,299, equal to $17.23 per share on the 5,326,261 shares then outstanding. The average individual investment amounts to $3,500.

Mr. Johnson attributed the growth of Fidelity to the fact that more people are turning to mutual funds as the medium through which they can combine their investment funds and receive the same professional care and attention provided large investment accounts. He believes that the growing popularity of investments companies is in its early stages and that much greater popular acceptance lies ahead. He thinks that people are becoming used to an investment medium like investment companies which fluctuate in price, yet are entirely sound in long run value.

THE CROSSING of the $300 million mark in assets by the 25-year old Wellington Fund was reported by its President, Walter L. Morgan.

The new high mark climaxes a nearly $20 million increase in assets since the close of last year when resources of the Fund totaled $280,894,213. By way of striking contrast, Wellington's total resources at the end of its first complete year of record, 1929, were $194,769. At that time, the Fund was an all-Philadelphia enterprise, organized by Mr. Morgan with the idea that the investment accounts of his family and friends could be better managed collectively than individually.

Today this multi-million dollar company is nationally-known with a list of shareholders numbering approximately 120,000 in the 48 states and in 23 foreign countries. Moreover, members of the management of Wellington and their families continue to be substantial holders of the Fund's shares. This ownership, according to the latest prospectus, is in excess of $1,000,000.

Behind the impressive growth of the Fund—it added $34.7 million in assets and more than 20,-000 shareholders last year—is the story of a stated conservative investment policy that is no different today than it was 25 years ago. Mr. Morgan summarized that policy this way: "Proper balance in investments at all times." Balance, as defined by the Wellington executive, means investment not in just one type of security, but in different types, such as bonds, preferred and common stocks; and these are varied from time to time to meet changing conditions.

"Today," Mr. Morgan continued, "I'm still bullish on mutual funds in general and balanced funds in particular. We find that people are dissatisfied with bonds but are afraid of jumping straight into common stocks. As a result," he concluded, "more and more investors have been finding a happy medium in Wellington's balanced program."

TRUSTEES of Eaton & Howard Balanced Fund have declared dividend of 30 cents per share. This 88th consecutive quarterly distribution is payable March 25, 1954, to stockholders of record at close of business March 15, 1954. In 1953 the first quarter dividend was 29 cents per share.

TRUSTEES of Eaton & Howard Stock Fund have declared dividend of 22 cents per share. This 90th consecutive quarterly dividend is payable March 25, 1954, to stockholders of record at close of business March 15, 1954. In 1953 the first quarter dividend was 21 cents per share. Both dividends approximate the per share net investment income of each fund during the year's first quarter.

THE ANNUAL REPORT of the 15-month-old Value Line Income Fund showed net assets of $5,-865,083 as of Dec. 31, 1953, compared to net assets of $553,141 at the end of 1952. Asset value per share was $4.55. Dividends paid in 1953 totaled 45 cents a share from earned income.

At year's end, 79.7% of the Fund's assets was invested in common stocks representing 63 companies and 28 industries with 10% in aircrafts; 7.9% in department stores; 6.9% in mining and metallurgical; 6.1% in steels; 6% in machinery; 5.7% in auto parts; 4.6% in sugar; 4.5% machine tools; 4.2% in milling and baking; 3.9% in building supplies; 3.8% in agricultural equipment and the balance spread out in other manufacturing fields. 8.5% of capital was invested in bonds, and 4.3% in preferreds.

Gavin H. Watson, President of Value Line Fund Distributors, Inc., reported record sales of $1,535,279 in the month of January, 1954, bringing the Fund's total net assets to $7,400,362 with 1,593,996 shares outstanding at Jan. 31, 1954.

THE VALUE LINE Fund reported total net assets of $7,130,-415 as of Dec. 31, 1953. After adjusting for a capital gain distribution of 12 cents a share, net asset value was $6.11, unchanged from the $6.11 per share value at the end of 1952 reflecting steady performance compared with a 6.8% drop in the Dow Jones Composite Average and a 5.7% drop in Standard and Poor's Average as well as a 10.6% drop in the Value Line Composite Average of 100 stocks in 1953. In addition to the 12 cents a share capital gain distribution, the Fund paid dividends totaling 18 cents a share from earned income during the 12-month period.

At year's end the Fund held 34.7% U. S. Governments and other cash reserve bonds; 9.7% secondary bonds; 8.1% preferreds and 43.1% commons, representing 19 industries with its heaviest single commitment in National Homes Corp. Portfolio changes in the fourth quarter included sales of American Colortype; Fruehauf Trailer; Muller Brass; Douglas Aircraft; N. Y. Air Brake; Philip Morris; Standard Brands. Purchases were Canada Dry; Loew's; National Theatres; Universal Pictures; Warner Bros. Pictures.

Arnold Bernhard, President, reported to stockholders that common stock commitments have ranged from 40% to 60% of invested assets since April, 1951. He stated that it was management's belief that advantageous opportunities would be found for full employment of capital in common stocks in 1954 and 1955 if (1) stocks fell far enough below their Value Line Ratings to indicate that stocks have again reached a buying juncture as in 1949, and (2) if the Ratings, which now point downward in reflection of declining dividend payment estimates, should level out and begin pointing upward, as they did in 1949.

AN INCREASE of $3.6 million in net assets of Television-Electronics Fund in its first fiscal quarter ended Jan. 31, last, boosted its total to an all-time high of $31,509,881, it was reported.

The Fund closed its first fiscal quarter with the largest number of shares outstanding in its five-year history. They totaled 4,384,527 on Jan. 31, last, as compared with 4,019,842 on Oct. 31, 1953, after adjustment for a two-for-one stock split.

NEW ADDITIONS in the investment holdings of the Bullock Fund during the three months ended Jan. 31 last, included 5,000 shares of American Natural Gas Co., 900 shares of Atlas Powder, 4,100 shares of Lorillard, 1,300 shares of Mead Johnson, and 3,000 Reynolds Tobacco.

Additional purchases of stocks of companies already held included 2,500 shares of Bethlehem Steel, 1,000 shares of Murphy (G. C.) Co., 1,500 shares of Seaboard RR., 2,000 shares of Union Oil of California, 5,000 shares of U. S. Steel, and 1,300 shares of Western Leaseholds, Ltd.

Sales included 2,500 shares of Associated Dry Goods Corp., 3,800 shares of Consolidated Mining & Smelting Co. of Canada, 1,065 shares of Lockheed Aircraft Corp., and 2,000 shares of Socony-Vacuum Oil Co.

Eliminated were Allegheny-Ludlum Steel, Chrysler, Collins Radio, Consolidated Edison of N. Y., Lily-Tulip, Ohio Edison, Portland General Electric, Texas Utilities, Wayne Knitting Mills, and Wheeling Steel.

THE REASONS why more than 50,000 investors and investing institutions have selected Fundamental Investors' shares is the subject of an eight page folder just completed by Hugh W. Long & Co.

The fund's record of accomplishment is set forth in a ten-year chart, and in a 21-year table covering the entire period of the fund's existence.

Another chart shows how the dividends paid by the fund have much more than kept pace with the rise in the cost of living during the past ten years. Included also in the folder is the most recent investment portfolio which shows that the fund's largest holdings are in the oil and gas, public utility and chemical and drug industries.

Personal Progress

THE ELECTION of John A. Fuller, President and director of the Shawinigan Water and Power Company of Canada, as a member of the advisory board of Canada General Fund was announced by Henry T. Vance, President of the Fund.

John A. Fuller

Mr. Fuller, who was born in Montreal, attended Hotchkiss School in Connecticut and graduated from Princeton, class of 1924. His present business affiliations include, among others the Quebec Power Company, President; The Canadian Light and Power Company, President; the British American Oil Co., Ltd., director; and Montreal Trust Company, director.

In announcing Mr. Fuller's election to the fund's advisory board, Mr. Vance expressed optimism concerning Canada's economic progress for 1954.

"There will be no dearth of developments in Canada this year," Mr. Vance said. "This year the huge new hydro-electric plant at Niagara Falls is scheduled to go into operation. The first phase of the great power development at Kittimat for the manufacture of aluminum will be completed and the first shipments of iron ore will be made this year from the 'Labrador Trough' over the newly-constructed railroad to tidewater."

Preliminary figures for Canada's economic situation in 1953 also are extremely encouraging, Mr. Vance pointed out. "The Canadian gross national product is estimated to have shown a 4% increase over 1952, a continuation of the trend in effect since 1945," Mr. Vance said, "and personal income rose more than 5% last year."

HUGH H. FOSS, Assistant Vice-President of National Securities & Research Corporation, will leave New York over the weekend for a week's tour of the company's mutual fund dealer organization in California. He will be joined in Los Angeles by Rufus Carter, Resident Vice-President of the company.

Hugh H. Foss

FRANK J. HOLCOMBE, Jr., has become associated with The Crosby Corporation of Boston, general distributor of Fidelity Fund and Puritan Fund. His office will be at 111 Broadway, New York City.

F. J. Holcombe, Jr.

Mr. Holcombe, a graduate of Rutgers University and formerly a partner of Banks and Holcombe, has been in the securities business for the past 25 years. He has been a mutual fund wholesaler since 1948 and in this capacity will represent the Crosby Corporation in the East. Fidelity Fund, whose assets recently crossed the $100 million mark, gained nearly $10 million in the first five weeks of 1954.

WILLIS I. NORTON, General Counsel for Investors Diversified Services, Inc., for the past 20 years, has been elevated by the company's board of directors to the newly created office of "Vice-President-Law."

In 1934, Mr. Norton left an outstanding political career to join I.D.S. A graduate of the University of Minnesota, he served in the Minnesota state legislature, and for many years he was Chairman of its House Rules Committee.

Continued from page 2

The Security I Like Best

wool as the primary raw material, the Company manufactures a number of products, demand for which comes principally from the following fields: building insulation and acoustical products for sound control and sound quieting; appliance insulation (commercial and domestic refrigerators, ranges, water heaters and similar appliances); industrial insulation (roof, pipes, ducts, tanks and process equipment); transportation insulation (marine, railroad, truck, automobile and aircraft).

Fiberglas textile products consist of Fiberglas strands, yarns and cords which are sold to other companies as a raw material for the manufacture of a highly diversified list of end-products. The principal demand comes from manufacturers of electrical insulation; plastics; paper; rubber; and decorative and industrial fabrics.

Fiberglas yarns, or strands are used alone or in conjunction with Fiberglas mat products for the reinforcement of plastics. Fiberglas continuous filament strands and yarns are used for the reinforcement of papers, binding tapes, high pressure steam hose, high temperature belting and other industrial goods.

In the fabrics field, Fiberglas yarns are made into marquisette curtains and draperies, cloths and tapes for pipe and duct insulation, and dust and chemical filters. Fiberglas yarns are also used as a base for coated fabrics, such as awnings, convertible automobile tops and tarpaulins.

Fiberglas Aerocor resembles fiberglas wool, except that the fibers are of much smaller diameter. The lightest Aerocor is made almost exclusively for the aircraft industry for acoustical and thermal insulating purposes.

Fiberglas filters are replacement-type filters developed by the Company for warm air furnaces and air conditioning systems.

Fiberglas has many rare and valuable properties and an important part of the Company's research program has been to discover how to make these properties available in forms that are usable and economical in more and more products and how to fabricate or apply Fiberglas materials at low cost and for effective performance.

In the period 1946-52, $53,977,000 was spent for property additions and capital equipment. In 1953, such outlays are understood to have amounted to around $5 million and a similar expenditure is anticipated for 1954. Capital expenditures at that annual rate are considered normal and in line with the Company's present rate of rapid growth.

The greatest potential growth is in the field of Fiberglas reinforced plastics (FRP), a field pioneered by the Company. In 1942, it was first recognized that fibrous glass was especially suited for use as a reinforcing material in connection with the polyester resins, which had been developed in their modern form in the years just prior to World War II. The first practical application was during World War II, when glass fibers were used as reinforcing material for plastic fuel cell support linings in self-sealing tanks for military airplanes. Next came other wartime applications, such as radomes and small boats.

After V-J Day, furniture, fishing rods, translucent sheeting and various other items were made from this new material, FRP. And the production of this new industry was soon flowing as a raw material into a large variety of manufacturing operations.

At the present, FRP is used in the building and construction industry in the form of corrugated or flat sheeting. It transmits diffused light, insulates against heat and cold, reduces replacement and maintenance costs, has decorative value and provides cost savings in certain applications. Sales of FRP by 20 manufacturing concerns have expanded some 1000% in the past six years.

In the aircraft industry the principal applications of FRP to date are as follows:

(1) For certain purposes, the dielectric (non-conductivity of electricity) properties of FRP are so much better than those of other materials, that its use is obligatory. Included in this category are plane structures housing antennae.

(2) Highly stressed non-structural parts, for example, doors, hatches, fairings, bulkheads, etc., which require a combination of low weight and high rigidity.

(3) Ballistic applications, an important instance of which is the fuel cell lining. Another ballistic application is flak and shell fragment armor for airplane cockpits.

(4) Parts having complicated structural contours — because of the ease with which they can be fabricated out of FRP.

The automobile industry is becoming increasingly interested in Fiberglas reinforced plastics. So-called "sport" cars represent the most likely present field for expanding use of FRP bodies. The primary reason for this is that sport cars are turned out in relatively low volume; and FRP bodies in limited volume can currently be made more economically than can those of steel or aluminum, because of the savings on dies.

The further expansion of the use of FRP in boat hulls is another growth potential. Industry is finding an ever increasing number of uses for FRP as a raw material for both consumers goods and industrial goods. The list of FRP consumers goods items is growing rapidly. It presently includes file drawers, chairs, fishing rods, bathtubs, lamp shades, luggage and toys, to mention just a few. FRP is especially well suited for use as a raw material for consumers goods from the standpoints of both substance and form. As to substance, it has many special and unique qualities; and as to form, it may be said that its molding process type of fabrication permits an almost unlimited variety of decorative and functional design at non-prohibitive costs.

A conservative appraisal of 1954 expectancies suggests that sales will be moderately above those of 1953; profit margins should widen somewhat; and earnings, aided by the absence of the Excess Profits Tax, should increase.

I estimate that under these favorable conditions Owens-Corning should be able to show 1954 earnings of $2.75 to $3.00 a share. This estimate is based on accelerated amortization charges which will reduce earnings by about 17 cents a share. In other words, using normal accounting procedure, the estimate of $3.00 a share for 1954 would be raised to $3.17. On such an earnings basis, the stock at 54 would be selling at 17 times earnings.

Admittedly, Owens-Corning common, listed on the New York Stock Exchange, is over-valued marketwise in relation to current earnings. But when viewed in the light of the normally prevailing price-earnings ratios for equities of the highest grade companies in other rapidly growing industries, I do not believe that its present price should be construed as a deterrent to its purchase by those investors who are primarily interested in long range appreciation and who are willing to ignore the interim fluctuations of the stock market's appraisal of a company's potentialities. This is not to say that substantially better than present market opportunities for buying the stock are ruled out. Rather do I feel that the likelihod of such opportunities is not strong enough to offset the chances that postponement may mean paying higher than current prices.

Bank of America Group Offers So. California Water District Bonds

Bank of America N. T. & S. A. and associates are offering $10,000,000 Metropolitan Water District of Southern California 2½% Colorado River Waterworks Bonds, Election 1931, maturing April 1, 1955 to 1994, inclusive. The bonds are priced to yield from .75% to 2.60%, according to maturity.

Other members of the offering group include The Chase National Bank; Blyth & Co., Inc.; The First Boston Corporation; American Trust Company of San Francisco; The Northern Trust Company; R. H. Moulton & Company; Security-First National Bank of Los Angeles; Merrill Lynch, Pierce, Fenner & Beane; Weeden & Co.; The First National Bank of Portland, Oregon; J. Barth & Co.; A. G. Becker & Co. Incorporated; Wertheim & Co.; Lawson, Levy & Williams; Stone & Youngberg; Gross, Rogers, Barbour, Smith & Co.; Wagenseller & Durst, Inc.; H. E. Work & Co.; Irving Lundberg & Co.; Brush, Slocumb & Co., Inc.; Hooker & Fay; Kalman & Company; and Stern, Frank, Meyer & Fox.

With Negley, Jens, Rowe

(Special to THE FINANCIAL CHRONICLE)

PEORIA, Ill.—Ned O. Haney is now with Negley, Jens & Rowe, Jefferson Building.

Joins Slayton & Co.

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Ill.—Donald E. Pontius is now with Slayton & Co., Illinois State Bank Building.

With Investors Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—H. Elliot Fuller and Joseph O. Maloney are now associated with Investors Planning Corp. of New England, Inc., 68 Devonshire Street.

McCoy & Willard Add

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Albert J. Miraglia is with McCoy & Willard, 30 Federal Street.

With Gage-Wiley Co.

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIEL, Mass. — William C. McCorkindale has become connected with Gage-Wiley & Co., Inc., Third National Bank Bldg.

Waldron Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Mat Galatz is now with Waldron & Company, Russ Building. He was previously with Capital Securities Co.

Indianapolis Branch

INDIANAPOLIS, Ind. — Paine, Webber, Jackson & Curtis has opened a branch in the Guaranty Building under the management of William G. Curry.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla.—Charles A. Korbly has been added to the staff of Goodbody & Co., 506 Franklin St.

Continued from page 12

Fiscal Policy Important In Anti-Depression Policy

are used only to illustrate my point. In two years we would have lost $60 billion of output. Why do we do it? There has been much complaint about our $5 billion per annum foreign aid program. Yet a good many people appear not to be too much concerned about a $60 billion loss in the next two years.

In Chapter 1, the Economic Report does indeed quote the mandate set forth by the Congress "to promote maximum employment, production and purchasing power." But these words are not repeated and the spirit of the language contained in the Act does not seem to me to be incorporated very effectively into the Report. Instead, in this same Chapter 1, reference is made to a "reasonable measure of stability in the overall level of employment and incomes" (p. 7), and again a page or so later, one reads of maintaining "employment at a high level" (p. 8). This language discloses, I feel, here as elsewhere in the Report, a considerable "toning down" of the mandate laid down by the Congress with respect to "maximum employment, production and purchasing power."

Realizable Goals in Expansion

The Report does indeed not infrequently refer to growth and to an expanding level of output. But that is surely something very different from the Congressional mandate referred to above. The Economic Report fails, I think, to set forth the realizable goals which the American economy is capable of achieving. Until these targets are set forth, as indeed is explicitly required in the Employment Act, we are in no position to know how far we fall short of our potential. Mere *expansion* of production might still leave us with a rapidly growing volume of unemployment and with total output far below our potential. I have here an illustrative table showing considerable growth from 1954 to 1960, yet falling short of the 3½% output potential referred to above by the gigantic cumulative total of $330 billion. In a great society like the United States we can show considerable growth and yet fall short in a very few years by hundreds of billions of dollars of goods and services which we are able, eager and ready to produce.

	(1) GNP Maximum employment and production potential (billions)	(2) GNP Assumed moderate growth pattern (billions)	(3) Loss of GNP (1)—(2) (billions)
1953	$367	$367	$0
1954	380	350	30
1955	393	365	28
1956	407	370	37
1957	421	375	46
1958	436	385	51
1959	451	385	66
1960	467	395	72

Total loss of GNP = $330

Let us take a look at the prospect over the next few years, viewed in terms of the program laid down in the Economic Report.

First of all, it is important to note that the current transition toward a peacetime economy is completely different from the transition to peace in 1945-47—a period often referred to by way of comparison with the present.

In 1945-47, there was a large backlog of demand for plant, machinery, housing and for durable and semi-durable consumers goods. There is no such *large* backlog now. For eight years we have been making good the major war-created deficiencies of business plant and equipment, of housing, automobiles, and electrical appliances, etc.

Consumer debt was then very low, permitting a substantial increase in expenditures financed by consumer credit. Consumer debt is now at record levels in relation to income, and we cannot look for much help here. When the Second World War ended, consumers were saving nearly 25% of their disposable incomes. A return to a normal saving ratio permitted a large growth in consumption. Today consumers are saving only 7.5%. This is, however, perhaps 3% above normal and we might get some small increase in the propensity to consume.

Savings and the Transition to Peace Economy

People hold now, as they did at the end of World War II, large accumulated liquid savings. These can and would act as a cushion against depression, but they are not, I suggest, very potent for expansion.

Thus everything considered, the transition to peace is more difficult today.

Under these circumstances, retrenchment in government expenditures are not easily offset by adequate increases elsewhere. The task will not be easy. And it will not automatically happen without a strong government program. We have finally reached pretty general agreement, and there is much in the Economic Report which supports this view, that the economy cannot be relied upon to generate adequate aggregate demand. It cannot be relied upon to generate its own steam unaided by government.

Outlays on producers' plant and equipment has remained at a very high level, rising slowly in proportion to the rise in GNP in the three years, 1951, 1952, and 1953. Further expansion is certainly possible but it will not be easy to raise these very high figures very much, especially when retrenchment is going on elsewhere. In the last eight years we have invested $240 billion in new producers' plant and equipment—in manufacturing, mining, transportation, public utilities, agriculture and other business ventures. New techniques are indeed continually opening up investment opportunities. But I do not find in the Economic Report or elsewhere any suggestion that we can expect outlays on plant and equipment to rise above the current very high level of $38 billion sufficiently to provide any substantial offset to the prospective retrenchment in government military expenditures.

Effects of Accelerated Depreciation

I am aware proposals are made in the Economic Report designed to stimulate capital outlays on plant and equipment. I am heartily in favor of accelerated depreciation, but I should like to see it used as an anti-cyclical device. Unfortunately, as here proposed it would have the effect of intensifying booms and depressions. This is true because business firms will, of course, wish to take advantage during profitable boom years of the lower taxes incident to accelerated depreciation. Thus, investment would be stimulated in boom periods, adding inflationary pressures. On the other hand, accelerated depreciation would offer little stimulus to investment in bad years when profits are relatively small. To be effective, the privilege of accelerated depreciation should be limited to depressed years or years below the trend average. The law could specify such in terms of employment or production indices. So applied, the measure could indeed serve as a stimulus to investment when most needed to promote stability and expansion.

Tax Relief

Other tax incentive devices relate to the proposed tax relief for stockholders. The Secretary of the Treasury, I believe, appeared before this Committee and argued that the so-called "double taxation" of dividends is responsible for the fact that, in recent years, industry has been forced to raise 75% of its outside funds from borrowing. The matter is, I fear, far more complicated than the Secretary's analysis would imply. Without attempting here a full discussion of a difficult and complicated problem, a little historical perspective will suffice to disclose that the Secretary's statement greatly oversimplifies the matter. Consider, for example, the six years 1922-1927—years in which our tax laws were highly favorable to stockholders and corporations. In these six years, of total new capital issues, only 26.1% were stock issues ("Survey of Current Business," January, 1951, p. 15)—almost precisely the same figure as that quoted by the Secretary for recent years.

It is true that in 1928 and 1929, stimulated by the highly inflated stock market boom of the late 'Twenties, the ratio of stock issues to total issues rose to 45 and 62% respectively, but surely no one would favor a return to this kind of stimulus to common stock flotations.

Despite a wider margin between common stock yields and bond yields during the last 15 years, and despite the heavy recent taxes on stockholders and corporations compared to the 'Twenties, corporate behavior with respect to capital issues has changed very little. Superficially, the propensity to raise capital by borrowing looks like bad practice. What is forgotten is that a very large part of new capital outlays is financed out of retained earnings. For this reason, the practice of financing 75% of capital issues by borrowing does not mean that the corporate debt position is getting worse and worse. Indeed the ratio of corporate debt to corporate assets is considerably lower than in the 'Twenties. This could not have happened had corporate profits not been highly satisfactory.

So much for what may reasonably be expected from an increase in outlays on plant and equipment. There remains housing, public construction (public works), and finally private consumption expenditures. Let us take a look at these possible offsets to retrenchment in Federal military expenditures—offsets and net additions in order to provide our full growth potential of employment and production. The Economic Report makes proposals with respect to all three, but I am very much afraid that these proposals are far from being adequate.

Let me here interject a note to clarify my position on one point. From the standpoint of national security I have no competence whatever to judge whether or not these proposed reductions in military expenditures are justified. I do want to say emphatically that from the standpoint of economics, the economy is quite able to carry the current and even larger outlays for national security and for foreign aid programs. But I am not debating this issue here. I am assuming that the reductions in military expenditures will in fact take place, though I fear that they may not be justified from the standpoint of our national security.

Public Works as Offsets to Low Military Outlays

What is needed to offset these reductions? To repeat, we shall do very well if we can increase only moderately our current very high outlays on new plant and equipment. The offset to the Federal military retrenchment plus the expansion needed for growth must come primarily, I suggest, from housing, public construction and private consumption.

I cannot go into detail here. Happily, through research by governmental and other agencies, we are not hopelessly at sea on these matters as in fact we were 20 years ago. Research studies, programs and plans are now available to guide action. I can only make a few stray comments here and there relating to matters covered in the Economic Report.

With respect to housing, it is interesting to note that the proposals made in the Economic Report fall far short of the housing and urban redevelopment programs supported by the late Senator Taft. The proposals fall far short of the 1949 Housing Act. The Economic Report states (p. 3) that: "Our approach to a position of military preparedness now makes it possible to turn the productive potentialities of the economy increasingly to peaceful purposes." This is an excellent statement. Why not implement it by making a major attack on our slums, our substandard houses and the deteriorating areas in our urban communities. Last year we built 1,100,000 new units. The Report suggest no target beyond this level, and there is no evidence that it looks forward to any larger program in the visible future. On this basis we can look for no help from residential construction to offset Federal military retrenchment.

One final point on housing finance. I welcome the new discretionary powers granted to the President to alter loan-value rates and terms of maturity, and these powers should be broadened as recommended in the Report. I suggest, however, that the Committee take a close look at the new proposed mortgage market agency, and also at the suspiciously generous terms on down payments and amortization proposed for low-income families displaced as a result of slum clearance and urban renewal activities. There is a danger here, I suggest, of cheap construction, of heavy defaults over the long run, and the creation of new slums in the future.

Another area for expansion is public construction — schools, hospitals, streets and roads, water facilities, sewage and industrial waste disposal systems. The Economic Report makes an excellent survey of our urgent accumulated shortages and needs in these areas. I wonder how many of you have added up the figures that are presented in the Report. They are very impressive. They show that we urgently need, over and above the current levels of expenditures, additional outlays *per annum* of $10 billion for a period of up to 10 years. This means a doubling of the current volume of non-military public construction, i. e., a $20 billion public construction program instead of the current $10 billion one.

Now the Economic Report sets out very vividly the problem and the magnitudes involved. But the conclusion reached, I regret to say, is very disappointing. The conclusion reached is that, while the Federal Government can aid some, the problem is mainly one for State and local governments. Currently the total volume of public construction, Federal, State and local, (non-military) is $10 billion per annum. We need to raise it to $20 billion. State and local government cannot be expected to double their current outlays on public works. This everyone knows. We shall not in fact make good on the urgent needs so eloquently referred to in the President's Report unless the Federal Government makes financial provision in some form or other for two-thirds or more of the total. No other proposal is realistic. And as military expenditures decline why should we not increase Federal outlays on these urgently needed public improvement projects? Neither in the area of private investment, nor even in private consumption, are the deficiencies anything like so serious as the current deficiencies in schools, hospitals, and the other public works covered in the Economic Report, and indeed in other areas not adequately covered in the Report—resource development, for example.

In connection with these welfare needs, there is not even any mention of the urgent need for Federal aid to education. There is no recognition of the fact, well known to everyone who has studied state and local finance, that the poorer states which contain nearly half of our children fall far short of decent educational standards; yet they spend more on education in relation to the total income of their citizens than do the wealthier states. For this situation there is no solution except Federal aid.

We Should Have More Private Consumption

Finally, we can and should increase private consumption. This is certainly important, but possibly not quite as important as the public construction needs outlined in the Economic Report. I suspect that priority should be given to our community needs. Still, though our productive resources are certainly not unlimited, they are adequate to permit some progress on all fronts—business plant and equipment, housing, public construction, and private consumption.

With respect to the latter, the Administration's tax proposals suggest a fairly drastic shift toward a more regressive tax structure. I venture to say that these proposals will tend to reverse the trend over the last two decades toward a more equitable distribution of income. We had recently a notable report by the National Bureau of Economic Research on this subject. This report and its favorable conclusion was widely acclaimed as a sign that our economy is healthy and strong. But now it is proposed, I fear, to reverse this development. This is surely the meaning of the suggestion, emanating from a responsible source (though not included, I am glad to say, in the Economic Report) to reduce the current luxury excise taxes to 10% and make up the loss in revenue by spreading excises over a large number of mass consumed goods. This particular proposal amounts almost to a manufacturer's sales tax. Or take the proposal (which is included in the Economic Report) to allow (after a three year step-up) stockholders to deduct an amount equal to 15% of total dividend receipts, not indeed from income but from tax liability. I wonder how many people realize that this means that a married person with a $12,000 income, obtained exclusively from dividends, will pay no Federal income tax at all, while salaried people and wage earners with much smaller income will be paying substantial income taxes. I suggest that the Congress will certainly want to take a good look at this remarkable proposal.

Conclusion

In conclusion I have two or three final comments. The Economic Report declares the "determination of the Federal Government to employ all its powers to prevent severe slumps in the future" (pp. 108-9). I miss, however, an equally reassuring statement that the Federal Government will employ all its powers to promote maximum employment, production and purchasing power. The Economic Report, if I am not mistaken, stresses primarily the aim of the government "to use its vast powers to help maintain employment and purchasing power" so that a minor adjustment "may not be converted into a spiralling contraction" (p. 7). Moreover, it expressly interprets the Employment Act of 1946 to mean that the Federal Government is pledged "to use its power to help keep the economy on an even keel." And the Report significantly concludes with a chapter, not on growth, but on economic instability.

Now it is indeed a great forward step for the Federal Government to assume responsibility for the prevention of a slump. Until recently such a declaration by government was regarded as dangerous and illusory, and fears were often expressed that such a declaration could only give rise to hopes that could not be fulfilled.

The point I wish to stress is this: I welcome the declaration of policy which is made, but I find something of a gap between the aims set forth in the Economic Report and the declaration of the Federal Government's responsibility as set forth in the Employment Act. It is a notable fact that the policy section of that Act (Section 2) does not even refer to the prevention of a slump. It is not cast in those terms. "The Congress declares that it is the continuing policy and responsibility of the Federal Government to use all practical means . . . to promote maximum employment, production and purchasing power." That is the policy declaration of the Employment Act. The Economic Report is excellent as far as it goes, but it is, I feel, not adequate with respect to the major problem that confronts us: Can we maintain the growth, expansion and momentum of the past few years?

I am aware that many conscientious and thoughtful citizens, while at long last prepared to accept Federal responsibility for the prevention of a slump, regard it as dangerous policy to assume responsibility for maximum employment and production. And one reason is that they are very sincerely afraid that such a program will cause inflation.

In its discussion of stability, the Economic Report has something to say which is very germane to the problem I am raising. The Report wisely counsels that the government must be prepared to reverse itself if it finds it has gone too far. Unless we are prepared to do this we shall never dare to act promptly and effectively. This is the first answer to those who fear that positive governmental action, looking toward our full growth potential, will lead to inflation.

The second answer is that the fear of inflation, in a country like the United States, under peacetime conditions, is grossly exaggerated. Until recently, economists generally doubted that we could maintain price stability if unemployment fell below 6% or 7%. We have learned that this is not the case. Experience shows that, apart from quite exceptional episodes, the American economy is not an inflation-sensitive economy. Our experiences in recent years show that we can push on to our maximum potential of employment and production without suffering inflation.

I suggest that we can never achieve our full potential of maximum employment and production unless we rid ourselves of this fear. We must remember that the experience of 1946-47, when there were large backlogs of demand and serious shortages, is not relevant at all to a situation such as that in 1951-53, when production was going at full blast, when shelves were full, when backlogs had been worked through, and inventories were well replenished. Nor is the Korean panic buying period relevant to peacetime conditions. Should such a complete surprise shock us again, we shall, of course again be in trouble. But it is folly to base our peacetime plans on the assumed recurrence of such episodes.

A second reason for fear of adequate expansionist policies is the perennial obsession about the public debt. This is a subject about which there is an immense amount of double talk. Only in the financial press does one get a rational appraisal of what the debt really means in terms of financial security. U. S. Government securities are not owned by the few rich. The public debt provides a secure investment outlet for social security trust funds, for savings and insurance institutions, and for small personal savings. It provides liquidity and financial maneuverability for private corporations and business firms. And it is an important basis for our currently sound banking system. The distribution of ownership of the public debt is an important element of strength in the American economy. I am happy to find statements along this line in the Economic Report. I have often said that if all newspapers would publish each day on the front page a table showing the ownership of U. S. Government securities, the people would have a saner view of the public debt.

The following table shows the ownership of the public debt:

	Billions
Commercial banks & Fed. Reserve	$88.0
Savings institutions,* public and private	99.0
Holders of savings bonds	49.2
Corporations and individuals	37.1

*This includes social security trust funds, mutual savings banks, insurance companies, state and local governments (largely pension funds), savings and loan associations, corporate pension funds, nonprofit institutions, etc.

Source: "Federal Reserve Bulletin," January, 1954, p. 64.

The debt is not excessive in relation to our Gross National Product. If our GNP should rise, as growth requirements demand, to around $470 or $500 billion in 1960, the public debt would hold about the same ratio to GNP as now if it rose to the figure of $375 or $400 billion. I do not say that it will or should reach that figure. But I do say that the goal of a rational fiscal and economic policy is not a balanced budget; it is a balanced full employment economy. If we pursue this goal successfully in peacetime, the debt is indeed likely to rise more or less. The guiding principle should be to balance loan financing with tax financing so as to prevent both inflation and deflation and to promote our full productive potential. In pursuit of this principle, some increase in the debt may well be necessary. And there are sound financial and monetary reasons why the debt, then as now, can contribute to the financial security and stability of our growing economy.

The Economic Report itself recognizes that maneuverability, in pursuit of an expansionist and stabilizing fiscal policy, demands that the fiscal authorities be allowed sufficient leeway within which to operate. I quote from the Report as follows: "The government must and will be ready to deal with any contingencies that may arise. An essential part of this preparedness under present circumstances is a higher Federal debt limit. . . ." That is a straightforward statement, and one which I think we can all respect.

I suggest that in an expanding economy the debt limit ought not to be fixed at any obsolute level, but rather as a ratio to GNP. This would provide continuous room for maneuvering a fiscal policy dedicated to stability and expansion.

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Canadian Experiment, Experience and Growth

its role in adding further to Canadian productivity.

If we in Canada will face, rather than fear, competition; if we have confidence that we can meet the tests ahead; if we believe in our long-term future enough to keep betting on it; then I am convinced that the months to come will prove to be but a period of consolidation—a necessary stage in the growth process.

As a nation we have progressed far in the recent past by daring to undertake new and bold ventures that might have seemed beyond our capabilities. That is the essence of the word "experiment" in my title. We have gained much "experience" in the process and we shall gain more, under perhaps less propitious circumstances, in the months ahead. Given the will to try, and the willingness to learn, there will follow, as the third of my three title words suggest, a period of "expansion" that could dwarf anything we have yet known.

As I thought about Canada, and its oil, and its future, my mind kept turning back to those lands that lie immediately east of the Mediterranean Sea. There, according to tradition, was the site of the Garden of Eden. There, in the so-called "fertile crescent," was the cradle of western civilization. There, great and wealthy cultures have waxed, and then waned. Beneath it, throughout human history, lay the largest and most readily accessible deposits of crude petroleum so far discovered. And the stuff was recognized from the earliest times. The pitch was mined to build the walls of Babylon. What was not available until this century was, of course, the scientific knowledge to make the greatest use of petroleum. What has not yet been achieved, there, is stable government. And what is not appreciated there, even today, is the need for international cooperation in developing and marketing oil resources.

How fortunate we are in Canada, by comparison, in possessing scientific knowledge, in enjoying mature and stable institutions, and in having a friendly and helpful next-door neighbor—all at a time when we are just beginning to unearth vast stores of oil and natural gas. It is a thought which in my mind does not induce complacency, but rather presents a challenge.

One other historical allusion, if I may be permitted. Adam Smith, who had the first word and often the last word to say on matters economic, had somethng to say about "the colonies," which I think is worth remembering. When he talked about "the colonies," he referred, of course, to the North American settlements as a whole, for his "Wealth of Nations" was published in 1776, the same year that some unpleasantness arose over a cargo of tea in the Boston Harbor. But he said, and I am sure you will agree that his words apply as well to Canada as to the United States, that the colonies constituted a nation "which indeed, seems very likely to become one of the greatest and most formidable that ever was in the world."

Railroad Securities

Atchison, Topeka & Santa Fe

One of the strange features of the overall securities markets at the present time, and a condition that has convinced many economists and market analysts that stocks are still fundamentally cheap, is the wide spread between bond yields and the yields available on sound stocks with well protected dividends. An outstanding case in point in the railroad group is Atchison, Topeka & Santa Fe. Its long-term General Mortgage 4s have been selling to yield only nominally above 3%, with not many bonds available even at those levels. The common stock, on the other hand, has been fluctuating narrowly around the 100 level. The stock is on a regular $5 basis, and in recent years has consistently paid year-end extras. Last year the extra was $2 which, if repeated in 1954, would afford a yield of 7%.

Certainly the regular rate appears perfectly safe, and despite the present recession in traffic and earnings most analysts are confident that the recent practice of paying a year-end extra will be continued in 1954. For one thing, the company's finances are so strong and its debt structure so conservative that the management could well afford to pay out a considerably larger proportion of reported earnings than it has been doing in past years. As of the end of last year the road had cash or equivalent of roundly $127 million and a net working capital of some $87.5 million.

Since the beginning of World War II the company has reduced its non-equipment debt by more than a third. The balance of $198,405,000 outstanding at the end of 1952 was represented by two non-callable issues, both bearing interest at the rate of 4% and maturing in 1995. Moreover, the company has set up a voluntary retirement fund to take care of these bonds so that the amount outstanding at the end of last year was almost certainly less than a year earlier. Huge sums have been spent in the past 10 years or more on capital improvements to the property and on new equipment, including a large diesel fleet. This program has been financed out of earnings—not even the equipment has been financed on the usual serial basis for many years past. A few older conditional sales contracts have been running out rapidly and will be completely eliminated by early 1955. Thus, depreciation and retirement accruals, which ran to nearly $30 million last year, are practically all available for general corporate purposes.

Aside from the strong finances, highly conservative debt structure, and the physical improvement in the plant in recent years, Santa Fe's basic investment status has been bolstered by the excellent growth characteristics of much of the service area. The company has one of the most favorable long-term traffic and revenue trends in the industry. Moreover, this improvement has been to a property that has always been considered one of the prime properties in the industry. Santa Fe went through the entire severe depression of the 1930s without in any year failing to cover its full fixed and contingent charges (then considerably higher than now).

Last year earnings on the stock came to $14.62 a share—the stock is selling less than seven times the 1953 results. Moreover, these earnings were achieved without any effort to retrench when traffic started down in the fall and winter months. As a matter of fact, with gross revenues of about $16.6 million in the final quarter total maintenance outlays were increased by $8.3 million. It is traditional with Santa Fe to keep its properties up to high standards even under unfavorable traffic conditions. This same policy has been continued in the opening month of the current year, with total maintenance slightly above 1953 levels on a drop of 17.3% in gross revenues. Basically this is favorable to the long-term status of the stock and even with such a policy earnings this year should again afford good coverage of the dividend.

Large Secondaries Made by Bankers

Morgan Stanley & Co. and The First Boston Corp. were the managers of two underwriting groups which made secondary offerings on March 9 of 1,000,000 shares of common stock and 39,000 shares of 7% cumulative preferred stock of International Harvester Co.

The common stock was offered at $28½. These shares will not receive the dividend of 50 cents payable April 15, 1954 to stock of record March 15.

The preferred stock was offered at $166⅝ a share to yield approximately 4.20%.

Amounting to approximately $35,000,000 in the aggregate this was one of the largest secondary offerings in recent years. The stock is being sold in connection with the settlement of the estate of Mrs. Anita McCormick Blaine, recently deceased. She was the daughter of Cyrus Hall McCormick, inventor of the reaping machine.

Joins Dempsey-Tegeler

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Marco S. Valniko is now affiliated with Dempsey-Tegeler & Co., 407 North Eighth Street, members of the New York and Midwest Stock Exchanges.

With Reinholdt & Gardner

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — John V. Readey has become connected with Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges.

Joins State Bond & Mtge.

(Special to The Financial Chronicle)

NEW ULM, Minn.—Bernard J. Sundahl is now with State Bond & Mortgage Co., 28 North Minnesota Street.

With B. C. Morton & Co.

(Special to The Financial Chronicle)

DETROIT, Mich. — Rene F. Campeau has become associated with B. C. Morton & Co., Penobscot Building.

With Highland Park Inv.

(Special to The Financial Chronicle)

ST. PAUL, Minn. — George H. Townsend is with Highland Park Investment Co., Pioneer Building.

With Bache & Co.

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Thomas R. Toomey is now with Bache & Co., National City East Sixth Building.

Joins L. A. Caunter Co.

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Mrs. E. Lucille Mudri has joined the staff of L. A. Caunter & Co., Park Building.

Continued from page 4

The State of Trade and Industry

rates for the preceding week in Pittsburgh and Chicago, states this trade weekly.

In contrast to the current declines in ingot production there are scattered reports of improvements in new ordering. One stimulating feature is the increasing number of rush orders at both warehouse and mill levels. This, says "Steel," indicates that at least some consumers have worked their stocks to a low point. Although orders received by warehouses are increasing in number they are generally small. No longer do consumers feel it necessary to carry larger stocks; they're confident they can buy what they need when they need it, continues this trade journal.

A sector from which an improvement in demand has been noted is the agricultural implement producers, substantial users of bars. Some steelmakers report gains in farm implement production have raised sales of bars by 10% over a month ago. This is not as much seasonal improvement as has been experienced from these consumers before, and mill order books for bars are far from filled for either the near-term or the future, adds this trade magazine.

Riding the buyers' market, consumers are increasingly inclined to haggle over prices and new freight rates in another month will further reduce steel costs to users.

Standard base prices of steel remain firm, however. This is reflected by "Steel's" price composite on finished steel. For the 11th consecutive week it was $113.91 a net ton in the week ended March 4. On the other hand "Steel's" price composite on steelmaking scrap continues to drop in response to the weakened rate of steel output. The composite in the week ended March 4 was $24.50 a gross ton, down $1 from the preceding week.

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 68.9% of capacity for the week beginning March 8, 1954, equivalent to 1,642,000 tons of ingots and steel for castings, as against 1,686,000 tons and 70.7% (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 74.4% and production 1,774,000 tons. A year ago the actual weekly production was placed at 2,284,000 tons or 101.3%. 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 Turns Higher in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, March 6, 1954, was estimated at 8,586,000,000 kwh., according to the Edison Electric Institute.

The current figure represents an increase of 190,000,000 kwh. above the preceding week, and an increase of 413,000,000 kwh., or 5.1% over the comparable 1953 week and 1,089,000,000 kwh. over the like week in 1952.

Car Loadings Continue Lower Trend in Holiday Week

Loadings of revenue freight for the week ended Feb. 27, 1954, which included the Washington's Birthday holiday, decreased 23,592 cars, or 3.8% below the preceding week, according to the Association of American Railroads.

Loadings totaled 595,031 cars, a decrease of 73,623 cars or 11% below the corresponding 1953 week, and a decrease of 160,813 cars or 21.3% below the corresponding 1952 week, which was a non-holiday week.

U. S. Auto Output Drops 5% Under Previous Week

Automobile output for the latest week declined 5% under the previous week due to a light work week at many plants, heavy snows and minor cutbacks, according to "Ward's Automotive Reports."

The industry, "Ward's" states, turned out an estimated 106,-812 cars last week, compared with 113,041 (revised) in the previous week. A year ago the weekly production was 120,900.

Last week, the agency reported, there were 20,880 trucks made in this country, as against 21,574 (revised) in the previous week and 27,927 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 8,671 cars and 2,084 trucks last week, against 9,181 cars and 2,184 trucks in the preceding week and 7,611 cars and 2,387 trucks in the comparable 1953 week.

Business Failures Rise Slightly

Commercial and industrial failures rose mildly to 223 in the week ended March 4 from 204 in the preceding week, Dun & Bradstreet, Inc., states. While casualties were considerably more numerous than in the similar weeks of 1953 and 1952 when 180 and 170 occurred respectively, they remained slightly, 12%, below the prewar toll of 254 in the comparable week of 1939.

Failures involving liabilities of $5,000 or more increased to 194 from 182 a week ago and were notably higher than the 152 of this size last year. Small casualties, those with liabilities under $5,000 edged up to 29 from 22, but were only one above their 1953 total for the corresponding week. Twenty of the failing concerns had liabilities of $100,000 or more, as against 23 in the previous week.

Mild Rise Lifts Food Price Index to New 3-Year High

The rise in wholesale food costs appeared to falter the past week. This was reflected in the Dun & Bradstreet wholesale food price index, which rose only 1 cent to stand at $7.21 on March 2. This represented a new three-year high and compared with $6.28 a year ago, or an increase of 14.8%.

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

Wholesale Commodity Price Index Advanced Irregularly In Past Week

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved irregularly higher during the past week to close at 277.20 on March 2, a new high for the year. This compared with 275.76 a week earlier, and with 281.16 on the corresponding date a year ago.

Grain markets were irregular last week but developed considerable strength toward the close of the period. Firmness in wheat reflected buying influenced by unfavorable weather conditions in the Winter wheat belt, expectations of sizable export business, and indications of tightening in cash markets. Feed grains generally followed the trend in wheat and soybeans and finished with moderate net gains for the week. All soybean futures contracts rose to new high levels for the season. Daily average purchases of grain and soybean futures on the Chicago Board of Trade last week showed a drop to 46,100,000 bushels, from 50,-500,000 the previous week and compared with 43,800,000 a year ago.

Bookings of hard wheat bakery flours were small the past week following the fairly good volume negotiated in the preceding week. Shipping directions were rather slow, reflecting continued complaints of lagging sales of bakery products, especially cakes and other sweet goods. Export flour inquiries and sales remained at a low ebb. Green coffee prices developed some irregularity a week ago, but turned upward late in the week to reach new record highs. The upturn was largely influenced by a renewal of Brazilian and trade demand.

Tea sales to wholesale and retail outlets reached an all-time monthly high during January, according to the Tea Council.

Cocoa values soared to new highs for all-time last Friday but suffered a sharp set-back on Monday of last week. The decline was attributed to technical reasons following the recent upswing, coupled with profit-taking and hedge selling prompted by weakness in the London market. Lard displayed a firm undertone with several lard deliveries scoring new seasonal highs. Demand for live hogs was dull and prices worked lower. Lambs were firmer but cattle prices weakened on heavy receipts.

Spot cotton prices developed an irregular course in rather quiet trading during the past week.

Following several weeks of advancing prices, the trend last week was mostly lower, due largely to the gradual increase reported in withdrawals from the loan, which in the week ended Feb. 19 topped entries for the first time this season.

The market received some stimulus from the announcement of further cotton grants by the Foreign Operations Administration and late reports of dryness in southwestern portions of the belt. Reported sales in the 10 spot markets declined in the preceding week to 110,000 bales, from 148,500 the week before and 124,800 a year ago. Loan entries in the week ended Feb. 19 fell to 37,500 bales, as against repayments of 46,700 bales during the same period. About 6,432,500 bales of 1953-crop cotton remained under loan as of Feb. 19.

Trade Volume Holds Close to Level of a Year Ago In Latest Week

Encouraged by many reduced-price promotions and the approach of Spring, many shoppers boosted their spending slightly in many parts of the nation in the period ended on Wednesday of last week. Retailers generally reported their sales volume as about on a par with the level of a year before. Heavy snows in the Midwest hampered sales noticeably and dampened the interest in Spring wear.

The most consistent gains over the year-ago levels were scored by food retailers.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 2% below to 2% above the level of a year ago. Regional estimates varied from the comparable 1953 levels by the following percentages: New England and East —1 to +3; Midwest —4 to 0; South —2 to +2; Northwest —3 to +1; Southwest and Pacific Coast 0 to +4.

The consumer interest in Spring clothing which had been rising steadily was weakened in some parts by the return of Wintry weather. However, in the South, Southwest, and Pacific Coast States shopping for Spring rose and was at least equal to the level of a year ago, thus auguring well for the entire Spring shopping season.

The recent recovery in the demand for household goods continued the past week as aggressive promotions attracted many shoppers.

Television sets, especially moderately priced models, were in rising demand as consumer uncertainty over the coming of color apparently diminished.

The buying of cars gained steadily with the approach of Spring; substantial discounts continued to be quite common.

Trading activity in many wholesale centers quickened slightly in the period ended on Wednesday of last week as many buyers placed re-orders for seasonal merchandise. However, the total dollar volume of wholesale trade remained down moderately from the high level of a year ago. Buyers were chary of increasing their commitments beyond the needs of the immediate future.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Feb. 27, 1954, decreased 3% below the level of the preceding week. In the previous week, Feb. 20, 1954, an increase of 1% (revised) was reported from that of the similar week in 1953. For the four weeks ended Feb. 27, 1954, a decline of 1% was reported. For the period *Jan. 1 to Feb. 27, 1954, department store sales registered a decrease of 1% below the corresponding period of 1953.

Retail trade in New York last week was affected by cold and rainy weather and as a consequence, sales volume suffered a decline of about 4 to 5% below the like week a year ago.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Feb. 27, 1954, registered no change from the like period of last year. In the preceding week, Feb. 20, 1954, an increase of 1% (revised) was reported from that of the similar week of 1953, while for the four weeks ended Feb. 27, 1954, an increase of 1% was reported. For the period *Jan. 1 to Feb. 27, 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.**

Bankers Offer Shares Of Insurance Firm

A nationwide group of underwriters managed jointly by The First Boston Corp., Blyth & Co., Inc. and Dean Witter & Co., yesterday (March 10) offered to the public 601,453 shares of Fireman's Fund Insurance Co. common stock ($2.50 par value) priced at $57 a share.

Part of the proceeds from the sale of the stock will be used by the company to reimburse its treasury for the purchase of all of the outstanding shares of National Surety Corp. and its wholly-owned subsidiary, National Surety Marine Insurance Corp. The balance of the net proceeds, estimated to be substantially in excess of $10,000,000, will become a part of the general funds of the company to provide for the continuing growth of the company and its subsidiaries.

Prior to the acquisition of National Surety Corporation, the Fireman's Fund group consisted of Fireman's Fund Insurance Co. of California, Home Fire and Marine Insurance Co. of California and Fireman's Fund Indemnity Co. The Fireman's Fund group is engaged primarily in the writing of fire, automobile, ocean marine, inland marine, casualty and fidelity and surety insurance and allied classes. The companies do business through 17,000 agents in all of the states and territories of the United States, as well as in Canada and in certain foreign countries. On a combined basis the net premiums written by the Fireman's Fund group and the National Surety group exceeded $181,000,000 in 1953.

Last year the two groups reported aggregate statutory underwriting profits of $10,317,506 and net investment income of $9,437,-875. After allowing for the equity in the increase in unearned premium reserves and after deducting Federal income taxes, combined net operating earnings of the two groups equalled $12,-677,177, or $4.23 per share on the 3,000,000 shares of capital stock to be outstanding after this financing.

Dividends have been paid on the shares of the company every year since 1868, with the exception of the years 1872 and 1907. It is the present intention of the board of directors of the company to pay dividends quarterly and to declare a quarterly dividend of 45 cents per share on the new $2.50 par value shares (including the shares issued in connection with the 20% share distribution to shareholders of record Feb. 26, 1954, and all shares sold under the present offering) payable on or about April 15, 1954 to shareholders of record on March 31, 1954.

White Adds to Staff

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Coyle T. Atchison has been added to the staff of White & Co., Mississippi Valley Building, members of the Midwest Stock Exchange.

Now With Perry Blaine

(Special to The Financial Chronicle)

ASHTABULA, Ohio—George S. Kaler has become associated with Perry T. Blaine & Co., 4519 Main Avenue. He was formerly with John S. Green & Co. of Cleveland.

Joins Westheimer & Co.

(Special to The Financial Chronicle)

CINCINNATI, Ohio—Eugene S. Kidwell is now affiliated with Westheimer and Co., 322 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

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)	Mar. 14	§68.9	*70.7	74.4	101.3
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 14	§1,642,000	*1,686,000	1,774,000	2,284,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Feb. 27	6,303,050	*6,314,750	6,257,200	6,521,000
Crude runs to stills—daily average (bbls.)	Feb. 27	¶7,123,000	7,156,000	6,948,000	7,090,000
Gasoline output (bbls.)	Feb. 27	24,511,000	24,585,000	23,731,000	23,360,000
Kerosene output (bbls.)	Feb. 27	2,994,000	3,120,000	2,682,000	2,935,000
Distillate fuel oil output (bbls.)	Feb. 27	10,818,000	10,982,000	10,289,000	10,796,000
Residual fuel oil output (bbls.)	Feb. 27	8,928,000	8,573,000	8,312,000	9,017,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 27	179,170,000	177,364,000	170,421,000	157,612,000
Kerosene (bbls.) at	Feb. 27	19,506,000	19,421,000	22,093,000	20,550,000
Distillate fuel oil (bbls.) at	Feb. 27	69,137,000	69,728,000	83,936,000	68,025,000
Residual fuel oil (bbls.) at	Feb. 27	45,941,000	46,215,000	46,433,000	44,432,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 27	595,031	618,623	628,190	668,654
Revenue freight received from connections (no. of cars)	Feb. 27	550,002	602,299	609,667	654,946
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Mar. 4	$208,148,000	$225,724,000	$194,300,000	$273,663,000
Private construction	Mar. 4	100,956,000	115,113,000	115,989,000	127,203,000
Public construction	Mar. 4	107,192,000	110,611,000	78,311,000	146,460,000
State and municipal	Mar. 4	89,237,000	78,683,000	63,029,000	132,430,000
Federal	Mar. 4	17,955,000	31,928,000	15,282,000	14,030,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 27	6,755,000	*7,245,000	8,405,000	8,611,000
Pennsylvania anthracite (tons)	Feb. 27	530,000	583,000	695,000	554,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Feb. 27	90	*86	85	93
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Mar. 6	8,586,000	8,396,000	8,674,000	8,173,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Mar. 4	223	204	238	180
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Mar. 2	4.634c	4.634c	4.634c	4.376c
Pig iron (per gross ton)	Mar. 2	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	Mar. 2	23.83	24.33	27.33	44.25
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Mar. 3	29.700c	29.675c	29.650c	30.375c
Export refinery at	Mar. 3	29.200c	28.700c	29.375c	34.750c
Straits tin (New York) at	Mar. 3	86.750c	85.000c	85.000c	121.500c
Lead (New York) at	Mar. 3	12.500c	12.500c	13.000c	13.500c
Lead (St. Louis) at	Mar. 3	12.300c	12.300c	12.800c	12.300c
Zinc (East St. Louis) at	Mar. 3	9.250c	9.250c	9.500c	11.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Mar. 9	99.88	99.47	98.81	94.82
Average corporate	Mar. 9	110.34	109.60	108.70	107.80
Aaa	Mar. 9	115.82	115.04	114.27	111.25
Aa	Mar. 9	112.37	111.81	110.88	110.15
A	Mar. 9	110.15	109.24	108.34	106.74
Baa	Mar. 9	103.47	103.13	102.13	103.30
Railroad Group	Mar. 9	108.16	107.27	106.74	105.52
Public Utilities Group	Mar. 9	110.52	109.97	108.70	107.44
Industrials Group	Mar. 9	112.19	111.62	110.70	110.52
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Mar. 9	2.51	2.54	2.58	2.87
Average corporate	Mar. 9	3.15	3.19	3.24	3.29
Aaa	Mar. 9	2.86	2.90	2.94	3.10
Aa	Mar. 9	3.04	3.07	3.12	3.16
A	Mar. 9	3.16	3.21	3.26	3.35
Baa	Mar. 9	3.54	3.56	3.62	3.55
Railroad Group	Mar. 9	3.27	3.32	3.35	3.42
Public Utilities Group	Mar. 9	3.14	3.17	3.24	3.31
Industrials Group	Mar. 9	3.05	3.08	3.13	3.14
MOODY'S COMMODITY INDEX	Mar. 9	427.6	426.1	421.2	418.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 27	212,753	217,650	232,351	220,319
Production (tons)	Feb. 27	228,258	259,388	240,413	251,149
Percentage of activity	Feb. 27	88	89	92	95
Unfilled orders (tons) at end of period	Feb. 27	320,960	340,049	330,839	437,345
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Mar. 5	107.78	107.25	106.95	107.84
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. 20	871,712	1,035,184	925,853	806,963
Dollar value	Feb. 20	$39,583,535	$39,984,135	$42,297,268	$36,697,015
Odd-lot purchases by dealers (customers' sales)†—					
Number of shares—Total sales	Feb. 20	848,192	987,704	828,804	697,299
Customers' short sales	Feb. 20	9,757	6,894	8,552	5,405
Customers' other sales	Feb. 20	838,435	980,810	820,252	691,894
Dollar value	Feb. 20	$35,777,843	$36,894,623	$35,578,856	$28,364,497
Round-lot sales by dealers—					
Number of shares—Total sales	Feb. 20	278,950	294,440	240,540	193,220
Short sales	Feb. 20	------	------	------	------
Other sales	Feb. 20	278,950	294,440	240,540	193,220
Round-lot purchases by dealers—					
Number of shares	Feb. 20	297,640	280,820	334,810	319,570
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	Feb. 13	439,640	439,640	326,320	206,000
Other sales	Feb. 13	8,591,410	9,491,410	7,624,580	5,753,150
Total sales	Feb. 13	9,031,050	9,931,050	7,950,900	5,959,150
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Feb. 13	913,620	924,720	836,380	628,560
Short sales	Feb. 13	178,420	180,620	147,840	107,890
Other sales	Feb. 13	750,830	757,930	678,130	484,930
Total sales	Feb. 13	929,250	938,550	825,970	592,820
Other transactions initiated on the floor—					
Total purchases	Feb. 13	282,500	282,500	232,930	133,650
Short sales	Feb. 13	23,600	23,600	10,200	12,500
Other sales	Feb. 13	253,410	253,410	207,500	122,960
Total sales	Feb. 13	277,010	277,010	217,700	135,450
Other transactions initiated off the floor—					
Total purchases	Feb. 13	482,268	482,368	375,856	225,621
Short sales	Feb. 13	56,420	56,420	49,020	32,300
Other sales	Feb. 13	367,310	367,310	326,276	231,015
Total sales	Feb. 13	423,730	423,730	375,296	263,315
Total round-lot transactions for account of members—					
Total purchases	Feb. 13	1,678,388	1,689,588	1,445,206	987,831
Short sales	Feb. 13	258,440	260,640	207,060	152,690
Other sales	Feb. 13	1,371,550	1,378,650	1,211,906	838,905
Total sales	Feb. 13	1,629,990	1,639,290	1,418,966	991,595
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Mar. 2	110.6	110.5	110.6	109.9
Farm products	Mar. 2	99.0	98.1	97.3	99.1
Processed foods	Mar. 2	105.2	105.2	105.2	105.5
Meats	Mar. 2	93.2	93.3	93.1	96.7
All commodities other than farm and foods	Mar. 2	114.3	114.3	114.5	113.2

*Revised figure. ¶Includes 691,000 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
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of February (in millions):			
Total new construction	$2,317	$2,428	$2,287
Private construction	1,643	1,717	1,574
Residential building (nonfarm)	771	830	758
New dwelling units	680	740	675
Additions and alterations	69	67	64
Nonhousekeeping	22	23	19
Nonresidential building (nonfarm)	476	486	433
Industrial	177	179	204
Commercial	158	164	111
Warehouses, office and loft buildings	73	75	50
Stores, restaurants, and garages	85	89	61
Other nonresidential building	141	143	118
Religious	41	43	34
Educational	38	39	31
Social and recreational	16	16	10
Hospital and institutional	26	26	26
Miscellaneous	20	19	17
Farm construction	89	87	100
Public utilities	300	307	275
Railroad	27	30	27
Telephone and telegraph	45	46	43
Other public utilities	228	231	205
All other private	7	7	8
Public construction	674	711	713
Residential building	34	35	48
Nonresidential building	339	341	323
Industrial	126	130	131
Educational	156	155	131
Hospital and institutional	23	21	33
Other nonresidential building	34	35	28
Military and naval facilities	62	76	106
Highways	110	125	110
Sewer and water	62	61	54
Miscellaneous public service enterprises	12	13	11
Conservation and development	45	51	56
All other public	10	9	5
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of January:			
New England	$12,487,613	$14,836,020	$14,599,976
Middle Atlantic	69,966,629	105,141,783	49,495,805
South Atlantic	43,519,600	29,452,475	35,213,438
East Central	68,571,605	67,301,733	46,788,776
South Central	56,688,809	60,940,461	69,480,585
West Central	13,239,446	21,306,200	13,826,189
Mountain	11,039,465	12,676,656	9,579,475
Pacific	68,425,052	61,202,714	67,584,064
Total United States	$343,938,229	$372,858,042	$306,568,308
New York City	32,068,684	55,856,712	28,765,075
Outside New York City	311,869,545	317,001,330	277,803,233
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM REVISED SERIES—Estimated short and intermediate term credit in millions as of Jan. 31:			
Total consumer credit	$28,125	$28,896	$25,674
Instalment credit	21,444	21,807	18,851
Automobile	10,084	10,289	8,273
Other consumer goods	5,495	5,605	5,288
Repair and modernization loans	1,587	1,606	1,403
Personal loans	4,278	4,307	3,887
Noninstalment credit	6,681	7,089	6,823
Single payment loans	2,083	2,127	2,143
Charge accounts	2,893	3,249	2,975
Service credit	1,705	1,713	1,705
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of January:			
Cotton Seed—			
Received at mills (tons)	237,261	*809,972	221,907
Crushed (tons)	711,743	717,999	655,312
Stocks (tons) Jan. 31	2,390,245	*2,864,727	1,827,497
Crude Oil—			
Stocks (pounds) Jan. 31	183,105,000	148,742,000	*178,757,000
Produced (pounds)	234,465,000	232,230,000	211,136,000
Shipped (pounds)	198,827,000	*224,117,000	*199,608,000
Refined Oil—			
Stocks (pounds) Jan. 31	1,152,554,000	*1,109,455,000	627,573,000
Produced (pounds)	183,279,000	200,423,000	185,476,000
Consumption (pounds)	131,421,000	*135,286,000	104,450,000
Cake and Meal—			
Stocks (tons) Jan. 31	109,229	109,700	*194,047
Produced (tons)	334,973	340,919	310,755
Shipped (tons)	335,444	394,241	*272,011
Hulls—			
Stocks (tons) Jan. 31	64,737	51,678	53,247
Produced (tons)	159,081	161,318	145,158
Shipped (tons)	146,022	162,467	140,780
Linters (running bales)—			
Stocks Jan. 31	216,728	190,376	289,672
Produced	221,962	221,348	207,425
Shipped	195,610	225,040	194,907
Hull Fiber (1,000-lb. bales)—			
Stocks Jan. 31	1,062	964	1,642
Produced	1,728	1,877	1,637
Shipped	1,630	2,010	2,067
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Jan. 31	8,807	7,777	12,620
Produced	3,439	3,088	4,031
Shipped	2,409	2,537	2,399
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of January:			
Weekly earnings—			
All manufacturing	$70.92	*$71.96	$71.34
Durable goods	76.59	*77.52	76.91
Nondurable goods	63.53	*64.06	62.88
Hours—			
All manufacturing	39.4	*40.2	41.0
Durable goods	40.1	*40.8	41.8
Nondurable goods	38.5	*39.3	39.8
Hourly earnings—			
All manufacturing	$1.80	$1.79	$1.74
Durable goods	1.91	*1.90	1.84
Nondurable goods	1.65	*1.63	1.58
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of Feb.:			
Industrial (125)	5.29	5.28	5.26
Railroad (25)	6.92	6.98	5.69
Utilities (not incl. Amer. Tel. & Tel.) (24)	5.09	5.11	5.08
Banks (15)	4.77	4.72	4.23
Insurance (10)	3.08	3.20	3.17
Average (200)	5.32	5.33	5.22
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Feb. 28	$274,858,550	$274,923,609	$267,633,740
General fund balance	4,988,045	4,044,002	6,023,767
Net debt	$269,870,505	$270,879,607	$261,609,977
Computed annual rate	2.416%	2.412%	2.378%

Continued from page 13

SEC Rules and Form Revisions Under the New Administration

the information required by various items for these purposes which dealt with the same subject matter but differed in some respects from each other. The scope of the 10-K report differed somewhat from that of the proxy statement. These differences caused a duplication of effort on the part of the reporting companies and an unnecessary and expensive administrative problem for the Commission in handling and reviewing similar but different material.

In our study of the problem, it also developed that it might be possible to dispense entirely with the requirements for the registration of additional shares of a listed security on Form 8-A by properly integrating the various requirements of the other forms. Not only did it appear that the whole reporting machinery could be simplified but it also became apparent with some revision in the rules and in the internal handling of material received by the Commission that the changes would be of real assistance to the public.

We, therefore, reviewed the requirements of the various rules and forms as part of a single disclosure problem. There appeared to be no good reason why a company which solicits proxies should be required to duplicate the information contained in the proxy statement in an annual report which, in practice, is filed with the Commission in most cases within two or three months after the proxy material. By making minor changes in the proxy rules, we determined that the information required by the rules would be entirely adequate for purposes of an annual report with respect to the subject matters covered by those rules.

The additional non-financial information required for purposes of a 10-K annual report which are not contained in the proxy statement was limited to three or four items of information which could be prepared very easily by every reporting company.

The Commission's experience under the rules which permit incorporation by reference has indicated that many people will duplicate information rather than incorporate it. In order to make our plan effective, we made it mandatory that companies soliciting proxies shall not respond to those items in the Form 10-K which have their equivalent in the proxy statement, and that a company which solicits proxies shall file a Form 10-K consisting only of those items of information not called for by the proxy rules.

We are hopeful that these revisions of the Commission's reporting requirements will give further impetus and incentive for the publication of reasonably detailed annual reports to shareholders. Under the proxy rules, financial statements contained in the annual report sent to shareholders may be incorporated by reference in the proxy statement provided they comply with the Commission's accounting rules. Under the revised Form 10-K, financial statements contained in the proxy statements or in the annual reports to shareholders may also be incorporated by reference where they substantially meet the requirements of Form 10-K. Thus shareholder reports which contain the necessary information, particularly as to financial statements, can be used as annual reports to shareholders to satisfy part of the requirements for proxy filings, and also to satisfy part of the requirements for annual reports to the Commission.

It is expected and hoped that more and more shareholder reports will include balance sheets and profit and loss and surplus statements which meet the Commission's accounting requirements. Such a development will be of mutual benefit to shareholders and management alike. Shareholders will obtain the information considered necessary for informed investment analysis, and corporate managements will be able to concentrate on the preparation of one set of financial statements where formerly more than one might have been used.

Heretofore, the Commission has never required companies which do not solicit proxies under the proxy rules to transmit to the Commission copies of reports to shareholders. Companies which solicit proxies have for many years been required to transmit their reports to shareholders to the Commission subject to the proviso that they would not be considered as "filed" with the Commission or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934. That is the section that provides civil liability for misstatements contained in reports filed with the Commission under the 1934 Act.

In revising our reporting requirements, we have provided that all companies subject to Sections 13 or 15(d), whether or not they solicit proxies, shall transmit their reports to security holders to the Commission and we propose to include such reports in our public files with the 10-K reports. This requirement for the first time will make these annual reports to shareholders of listed companies which do not solicit proxies generally available to the public and should contribute to an understanding of the financial and other information required under the Commission's regulations. We continue for the soliciting companies, and extend to the non-soliciting companies, the exclusion of these reports to shareholders from liability under Section 18.

The changes in procedures regarding the registration of securities on a national securities exchange will also effect substantial savings. Under the previous practice, registration of a security on an exchange under Section 12 of the Securities Exchange Act of 1934 became effective only as to a specified number of shares or a specified amount of a class of security, so that if additional shares or amounts of the same class were subsequently issued, a new application on Form 8-A was required for registration of the additional amounts.

Registration Rules

Under the revised rules, the original application for registration is deemed to apply for registration of the entire class, and the registration of unissued shares or amounts becomes automatically effective when they are issued. This eliminates the old requirement that applications be filed for registration of additional amounts of a listed class of security. The result will be a considerable saving of time and expense both to issuing companies and the Commission. At the same time, investor protection will in no way be diminished because the necessary information will be available in the periodic reports currently filed with the Commission on Form 8-K. This form, incidentally, has also been revised so as to limit its requirements to events of such material importance to security holders as require a report on a current basis. The issuance of additional securities in material amounts has always been considered such an event.

These changes in the aggregate will simplify materially the work involved in complying with our requirements, will reduce substantially the administrative burden of the Commission and will eliminate approximately 500 applications annually on Form 8-A.

Now, as to the revised proxy rules, many of the changes are of a clarifying nature.

It has been made clear that the law of the state of incorporation is the standard for determining what is a proper subject for action by security holders in connection with security holders' proposals. This reference to State law is entirely consistent with the previous proxy rules and, indeed, is the only frame of reference, in the absence of any direction from Section 14 of the Securities Exchange Act, that is possible. I submit that it is consistent with the decision in the so-called Transamerica case.[14] In that decision, the court found affirmative authority under Delaware law for submission of one of the three proposals and no lack of authority for the two others and simply struck down a corporate by-law which would have placed a procedural block in the way of their consideration by the shareholders. The new proxy rule is in entire accord with the legal basis of that decision and consistent with the court's statement that "a corporation is run for the benefit of its stockholders and not for that of its managers."

The former Associate General Counsel of the Commission, now Professor of Law at the Harvard Law School, Louis Loss, has written in his authoritative treatise: "Where the State law is clear that a particular matter is for the directors alone, that would seem to be decisive; if Congress had intended to give the Commission power to reallocate functions between the two corporate organs, so revolutionary a Federal intervention would presumably have been more clearly expressed. This would approach Federal incorporation in all but name. As we have seen, Federal incorporation proposals have recurrently appeared in Congress." Let me add, not enacted.

Revised Proxy Rules

The revised proxy rules now specifically provide that management may omit from its proxy material a security holder's proposal which relates to the conduct of the ordinary business operations of the issuer.

Also, a new provision has been adopted to relieve management of the necessity of continuously repeating in its proxy material security holder proposals which on previous submissions have received little security holder support. Under the amended rules, a security holder's proposal may be omitted from management's proxy material if it was submitted within the previous five years and received less than 3% in the case of a single submission, less than 6% upon a second submission or less than 10% upon a third or subsequent submission during such five-year period. Also, the new rule requires data about all the directors even though, because of staggered terms, less than all are standing for election.[15]

These revisions have caused considerable public comment. Some say we are undermining corporate democracy and impairing the position of minority stockholders. Others urge that the rules should be further modified to relieve management from various provisions alleged to be burdensome.

I should like to make clear a point which seems to have been overlooked by many who have been extremely vocal on both sides of the issue. The Commission believes, under the Acts of Congress it is sworn to support, that the proxy rules, indeed all of its rules, should be promulgated and administered to serve the public interest and the protection of investors. We believe the new proxy rules meet that test.

Section 14 of the Securities Exchange Act of 1934 makes it unlawful to use the mails or instrumentalities of interstate commerce to solicit proxies in respect of securities registered on any national securities exchange "in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors." Although abuses by corporations of the proxy soliciting mechanism were specifically referred to, the Committee Reports and other guides to legislative intent give the Commission little help in precisely determining what kind of rules and regulations the Congress had in mind that the Commission should adopt in this field.

The Commission attempts to construe the statutes it administers by looking first to the statutes themselves for guidance. Let me give you an example. Section 6(b) of the Public Utility Holding Company Act of 1935 provides that "the Commission by rules and regulations or order, subject to such terms and conditions as it deems appropriate in the public interest or for the protection of investors or consumers, shall exempt from the provisions of subsection (a) the issue or sale of any security by any subsidiary company of a registered holding company, if the issue and sale of such security are solely for the purpose of financing the business of such subsidiary company and have been expressly authorized by the State Commission of the State in which such subsidiary company is organized and doing business." The subsection (a) referred to provides for the filing with the Commission of a declaration regarding a financing plan and the taking of action by the Commission to make such declaration effective. Declarations relating to a financing plan may only become effective if they meet the requirements of Section 7 of that Act, which lays down standards as to the types of securities which registered holding companies and their subsidiaries may issue.

We have recently put out for comment a proposed new rule which would exempt from the competitive bidding requirements of the Commission securities of subsidary companies the issue and sale of which have been expressly authorized by the State Commission. What did the Congress mean when it said the Commission "shall" exempt securities expressly authorized by State commissions? We have this very day in Washington commenced a public hearing on the proposal and we will listen to and study the comments of State commissions, utility companies, investment bankers and others on the difficult questions of statutory interpretation involved.

Many of the responsibilities of the Commission, including those imposed by Section 14 of the Securities Exchange Act of 1934, represent a venture on the part of the Federal Government in a field which, even after 18 years of administration, is relatively new. The proxy rules have been amended half a dozen times since the first approach was made in 1936. Not until December of 1942 did the Commission first adopt the shareholder proposal rule. After its adoption, it was feared that the Commission was attempting to minimize the rights of minority shareholders. Bills were introduced in Congress to limit the Commission's power. The then Chairman of the Commission, in hearings in June of 1943 before a Subcommittee of the Committee on Interstate and Foreign Commerce of the House of Representatives, testified in defense of the rules and no bill was enacted.

An industry representative at the hearing before the present Commission on Dec. 16, 1953, argued that the earlier Commission had lulled the Congress to sleep in promulgating the rule after the session adjourned in 1942, but it seems to me that the failure of enactment of a bill limiting the Commission's power, and the subsequent election of five Congresses without amendment of Section 14 of the Act, should be considered in this connection. In any event the then Commission assured the the Congressional Subcommittee in 1943 that the proxy rules would be beneficial to minority shareholders and, indeed, to shareholders generally, and that the Commission in its administration of the rules would see to it that they were not abused.

The changes we have just made in the proxy rules should be regarded as a further step in an evolutionary process begun in 1936. The changes have not been made for the purpose of satisfying any particular group. In the considered judgment of the Commission, concurred in by its experienced staff, the revised rules will better serve the public interest and the interest of investors generally.

Incidentally, the revision has not altered the long-standing provision of the proxy rules, Rule X-14A-7, which enables a shareholder to communicate with other shareholders when the management is soliciting proxies. Under this provision, the management may not solicit proxies unless it is also willing to transmit proxy soliciting material submitted by shareholders at their expense. This provision eliminates the possibility that shareholders may be deprived of the right to obtain a list of other shareholders in time to communicate with them before the meeting. In such proxy soliciting material prepared and submitted by a shareholder, he may solicit proxies to vote at the meeting for condidates for election as directors as well as seek expressions in favor of proposals stated in the proxy soliciting material.

The 3, 6, 10% progression deprives no one of the right of advocacy. It merely places a limitation on that right which serves the interest of shareholders generally. As a matter of fact, a proposal for a 5 to 10% step-up initiated within the Commission was considered as long ago as November of 1951. The new Commission, indeed, cannot claim a copyright on the idea of the progressive percentage increases embodied in the new proxy rule.

Democracy is not inconsistent with a form of government in which the majority speaks through chosen representatives. The history of governmental organizations in America, and indeed the history of the development of corporate organizations, bears out this thesis. In American political democracy, the people speak through their representatives in the State Legislatures and in the Congress. But the "initiative" or legislative proposal initiated by the people directly rather than by the Legislature, thought by its proponents in the last decade of the 19th Century and early in the 20th Century to be the ultimate improvement in political democratic methods, has proved virtually useless in the States which have tried it. In corporate democracy, the people act through their directors whom they, as shareholders, elect. The ultimate and truly democratic recourse of the shareholder against a management unsatisfactory to him is to

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14 SEC v. Transamerica Corp., 163 F. (2d) 511.

15 Securities Exchange Act Release No. 4979.

unseat the Board of Directors. There have been many successful proxy fights that have been waged by dissatisfied shareholders under the proxy rules administered by the Commission.

In political organizations, candidates for public office are often required to supply a specified number of signatures in order to get on the ballot. The former Mayor of your city—New York—was ineligible to run for reelection because an insufficient number of citizens validly signed his nominating petition. President Eisenhower expressed in his State of the Union message a year ago "dedication to the well being of all our citizens" and emphasized in his radio speech to the nation just after New Year's this year that this Administration's program is "inspired by zeal for the common good." Applying that to the securities law standard we are sworn to support—namely the public interest and protection of investors—I think that means the general public interest and the protection of investors generally in the administration of our admittedly broad power under Section 14 of the Act.

In ten years of the shareholder proposal rule, only 181 shareholders out of the millions of American shareholders of registered companies submitted proposals, a large proportion of all shareholder proposals were submitted by three individuals or groups, no proposals so submitted have carried and the vast preponderance have been voted down by overwhelming vote of the shareholders voting.

The Commission and its staff are familiar with shareholder proposals since 1943. We have concluded that shareholders generally are entitled, in the true sense of corporate democracy, to require a minimal showing of shareholder acceptability and continued progress as conditions of continued resubmission of shareholder proposals in management proxy soliciting material.

I want to make it perfectly clear, and I welcome the chance to say this directly to a chapter of the American Society of Corporate Secretaries, that the revision is not intended to be responsive to some of the arguments presented by representatives of the Society or of certain corporations who appeared before us at the hearing on Dec. 16, 1953. These representatives made some arguments that you may want to do some further thinking about as the coming year rolls on. I question whether all of the data that could be gotten together had been presented to you. The argument was made that shareholders submitting proposals should defray the cost of their submission in certain cases, but in response to a question from the Chairman of the Commission as to the cost to corporations of shareholders' proposals, it was stated that no attempt to compile such costs had been made. From your standpoint, this argument might lead to the suggestion that management should defray the cost of management proxy soliciting material by which management gets elected to office year by year. How seriously would your organization back the argument that a corporation should not pay whatever cost there is in including shareholder proposals in the management proxy soliciting material?

The argument was made before us that "the security holder has a basic weapon to defend his independence which the citizens of the most ideal democracy do not possess, namely, he can express his disapproval of a company's policy by severing his connection with it." In other words, if a shareholder doesn't like the way a company is being managed, he can sell his shares. Would the financial officers of companies which have had to go into the market to raise equity capital or which, because of the need to retain earnings in their businesses for use as equity capital, have been interested in seeing that the market values of the shares were well preserved, feel very happy about this argument? I am sure this viewpoint does not represent the views of the vast majority of American management.

Unpleasant Facts

"It is possible that unless expenditures are reduced below the Administration's estimates the deficit will be doubled. And if the 'full resources of the government' are used in the name of recession, the deficit as estimated in the budget might easily be trebled, for the government has no resources except your credit and mine.

Harry F. Byrd

"Meanwhile, there is great agitation for still further tax reduction. If this should occur, the deficit-debt situation would be even worse, unless there are commensurate expenditure reductions.

"It does not make sense to borrow money which must be paid back, after paying interest for generations, to finance temporary tax reduction."—Senator Harry F. Byrd.

It certainly would not make sense!

NASD Announces Committees for 1954

The National Association of Securities Dealers has announced the complete membership of the Association's various committees for 1954:

1954 Executive Committee

Edward C. George, Chairman, Harriman Ripley & Co., Inc., Chicago, Ill.; George Geyer, Geyer & Co., Inc., New York; Murray Ward, Hill Richards & Co., Los Angeles, Calif., Vice-Chairmen; Harold C. Patterson, Treasurer, Auchincloss, Parker & Redpath, Washington, D. C.; William H. Potter Jr., Chairman Finance Committee, The First Boston Corp., Boston, Mass.; George F. Noyes, Chairman National Business Conduct Committee, The Illinois Company, Chicago, Ill.; William C. Roney, Wm. C. Roney & Co., Detroit, Mich.; Wallace H. Fulton, NASD, Washington, D. C.

Finance Committee

William H. Potter Jr., Chairman, The First Boston Corp., Boston, Mass.; Edward C. George, Chairman of Board, Harriman Ripley & Co., Inc., Chicago, Ill.; Claude T. Crockett, Crockett & Co., Houston, Texas; Harold C. Patterson, Treasurer, Auchincloss, Parker & Redpath, Washington, D. C.; Walter I. Cole, Beecroft, Cole & Co., Topeka, Kansas; Allen C. Du Bois, Wertheim & Co., New York; and Wallace H. Fulton, NASD, Washington, D. C.

National Business Conduct Committee

George F. Noyes, Chairman, The Illinois Company, Chicago, Ill.; Allen C. Du Bois, Vice-Chairman, Wertheim & Co., New York, N. Y.; William J. Collins, William J. Collins & Co., Portland, Ore.; Frank H. Hunter, McKelvy & Co., Pittsburgh, Pa.; H. Warren Wilson, Union Securities Corp., New York, N. Y.; Arnold Grunigen Jr., J. Barth & Co., San Francisco, Calif.; George A. Newton, G. H. Walker & Co., St. Louis, Mo.; Harold E. Wood, Harold E. Wood & Co., St. Paul, Minn.

Information Committee

Harold E. Wood, Chairman, Harold E. Wood & Co., St. Paul, Minn.; Arnold Grunigen Jr., J. Barth & Co., San Francisco, Calif.; Howard E. Buhse, Hornblower & Weeks, Chicago, Ill.; George A. Newton, G. H. Walker & Co., St. Louis, Mo.; Jay N. Whipple, Bacon, Whipple & Co., Chicago.

Legislation Committee

Walter I. Cole, Chairman, Beecroft, Cole & Co., Topeka, Kanas; Roy W. Doolittle, Doolittle & Co., Buffalo, N. Y.; Earl M. Scanlan, Earl M. Scanlan & Co., Denver, Colo.; G. Price Crane, Arnold & Crane, New Orleans, La.; Frank H. Hunter, McKelvy & Co., Pittsburgh, Pa.; H. Warren Wilson, Union Securities Corp., New York, N. Y.

National Quotation Committee

Frank B. Reid, Chairman, Fulton, Reid & Co., Cleveland, Ohio.

1954 National Uniform Practice Committee

Oliver J. Troster, Chairman, Troster, Singer & Co., New York, N. Y.; Henry H. Badenberger, Vice-Chairman, Francis I du Pont & Co., New York, N. Y.; Edward J. Armstrong, Stein Bros. & Boyce, Baltimore, Md.; B. S. Kampert, Blyth & Co., Inc., San Francisco, Calif.; Thomas B. MacDonald, Blyth & Co., Inc., New York, N. Y.; Guenther M. Philipp, Paine, Webber, Jackson & Curtis, Chicago, Ill.; Ralph W. Welsh, Robt. Glendinning & Co., Philadelphia, Pennsylvania.

1954 Investment Companies Committee

Joseph E. Welch, Chairman, Wellington Fund, Inc., Philadelphia, Pa.; Ward L. Bishop, American Funds Distributors, Inc., Los Angeles, Calif.; Hugh W. Long, Hugh W. Long & Co., Inc., Elizabeth, N. J.; Woodford Matlock, Broad Street Sales Corp., New York, N. Y.; William F. Shelley, Vance, Sanders & Co., Boston, Mass.; S. L. Sholley, Keystone Company of Boston, Boston, Mass.

With Fabian & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Murdoch H. Rogers has become affiliated with Fabian & Company, 9500 Santa Monica Boulevard.

Williams Inv. Co. Adds

(Special to THE FINANCIAL CHRONICLE)

JACKSONVILLE, Fla. — Rosabel Girardeau has been added to the staff of Williams Investment Co., Barnett Building.

Our Reporter's Report

With new debt financing for corporate account slowed down to pretty much of a walk, investor interest this week turned to the marketing of two large equity offerings brought to market yesterday.

One involving 1,000,000 shares of International Harvester Co., went into the records as the largest "secondary" operation in history, and the second, embracing 600,000 shares of common stock of Fireman's Fund Insurance Co., was tabbed as the largest undertaken by a company in that particular line of business.

The International Harvester block, sold for the estate of one of the heirs of the company's founder, was reported to have encountered a definitely good reception. The hesitant attitude of the general market over the last week or more apparently was ignored.

Insurance companies and pension funds, in a position to do so, were reported as sizable buyers of the Harvester stock but dealers found a good general investor interest around the country.

Fireman's fund stock naturally was popular on the West Coast, but here again underwriters and dealers were able to report brisk general demand.

Meanwhile the corporate new debt market experienced a respite from the recent heavy outpourings. And by and large, it was the consensus that the market would profit by this period of slack as affording time for full digestion of recent offerings.

Getting Stock-Minded

The rousing reception accorded the foregoing large stock emissions evidently has whetted the appetites of investment bankers for more of the same.

At any rate the underwriting fraternity is disposed to look ahead to the early part of next month when York Corp. is preparing a block of 220,000 shares of additional common stock. Negotiated deals naturally tend to arouse much more interest than those which must go through the competitive bidding route.

York Corp. at the same time may also register for flotation of $18,000,000 of new debentures, if it is considered advisable, at the time, to raise new capital through a debt issue.

Columbia Gas System

As part of its contemplated over-all financing of $110,000,000 this year, Columbia Gas System is readying a starter in the form of $50,000,000 of convertible debentures.

This part of the financing would, of necessity, be offered initially to common stockholders under their pre-emptive rights. But it will be underwritten with bankers standing by to take any unsubscribed portion.

The balance of the financing is expected to take the form of two separate issues later in the year. On the current operation bidding for the "standby" privilege is tentatively set for April 21.

Busy Week Ahead

Next week promises a relatively active period in the new issue field, particularly if the Reconstruction Finance Corp., on Monday, receives a suitable bid for the $65,000,000 of Baltimore & Ohio bonds which it is putting up for sale.

Alabama Power Co. has $17,000,000 of bonds up for bids on Tuesday and El Paso Electric Co. is offering $5,000,000 the same day, with Pennsylvania Electric slated to sell $12,000,000 bonds on Wednesday.

The week also is scheduled to bring a goodly sprinkling of stock issues topped by Texas Gas Transmission's block of 200,000 shares due on Wednesday.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Acala Fabrics Co., San Francisco, Calif.
March 4 (letter of notification) 4,950 shares of participating preferred stock. **Price**—At par ($10 per share). **Proceeds**—For equipment and working capital. **Office**—690 Market Street, San Francisco, Calif. **Underwriter**—William E. Schlink, Vice-President, Stockton, Calif.

★ Aerco Corp. (N. J.)
March 4 (letter of notification) 544 shares of 5% cumulative participating preferred stock (par $100) and 544 shares of class A common stock (no par) to be offered in units of one share of each class of stock. **Price**—$101 per unit. **Proceeds**—For acquisition of land and erection thereon of manufacturing facilities and for working capital. **Office**—214 Lafayette Place, Englewood, N. J. **Underwriter**—None.

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.
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. **Offering**—Not expected until April.

★ Allied Artists Pictures Corp. (3/30-31)
March 8 filed 150,000 shares of 5½% cumulative convertible preferred stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To be used in the production, distribution and exploitation of motion pictures and for working capital. **Underwriter**—Emanuel, Deetjen & Co., New York. Meeting—Stockholders will vote March 23 on authorizing the new issue.

★ American-Marietta Co., Chicago, Ill.
March 6 (letter of notification) 8,040 shares of common stock (par $2). **Price**—At market (but not to exceed $25 per share). **Office**—101 East Ontario Street, Chicago, Ill. **Underwriter**—The Ohio Company, Columbus, Ohio.

★ American Tidelands, Inc., New Orleans, La. (3/23)
March 3 filed 2,000,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For construction work and purchase of drilling machinery and equipment from Alexander Shipyard, Inc.; for operating expenses; and payment of indebtedness. **Underwriters**—Crerie & Co., Houston, Texas; and Gearhart & Otis, Inc. and Barrett Herrick & Co., both of New York.

• Armstrong Rubber Co. (3/16-17)
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.

★ Atlas Uranium Corp., Salt Lake City, Utah
March 5 (letter of notification) 1,500,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—Judge Building, Salt Lake City, Utah. **Underwriter**—Coombs & Co., Salt Lake City, Utah.

• Audio Devices, Inc., N. Y.
Feb. 19 (letter of notification) 10,000 shares of common stock (par 10 cents). **Price**—At market (about $3.75 per share). **Proceeds**—To selling stockholder. **Underwriter**—Peter Morgan & Co., New York. No general offer planned.

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.

Bolsa Chica Oil Corp.
Feb. 16 (letter of notification) 77,624 shares of capital stock (par $1) to be offered for subscription by stockholders of record on or about March 4. **Price** — $3.75 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—727 West Seventh Street, Los Angeles, Calif. **Underwriter**—None.

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.
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.

★ Central Louisiana Electric Co., Inc.
March 8 (letter of notification) 12,729 shares of common stock (par $5). **Price**—$22 per share. **Proceeds**—For expansion. **Office**—528 Monroe St., Alexandria, La. **Underwriter**—None, stock to be sold by employees.

★ Cities Service Co.
March 9 filed $4,431,250 participations in the Employees Thrift Plan of this company and participating subsidiary companies, and 50,000 shares of common stock (par $10) to be purchasable under the plan.

★ Clorox Chemical Co., Oakland, Calif.
March 2 (letter of notification) 6,500 shares of capital stock (par $3.33⅓ per share). **Price**—To be supplied by

NEW ISSUE CALENDAR

March 12 (Friday)

Sheraton Corp. of America ------ **Debentures**
(Offering to stockholders—underwritten by Paine, Webber, Jackson & Curtis and Hamlin & Lunt) $3,300,000

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 15 (Monday)

Baltimore & Ohio RR. ------ **Bonds**
(Bids to be invited) $65,000,000

Commodity Holding Corp ------ **Common**
L. H. Rothchild & Co.) $300,000

Spa-King Mount Clemens Water Products Corp. ------ **Common**
(Teden & Co., Inc.) $299,000

March 16 (Tuesday)

Alabama Power Co. ------ **Bonds**
(Bids 11 a.m. EST) $17,000,000

Armstrong Rubber Co. ------ **Debentures**
(Reynolds & Co.) $4,000,000

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

Magnolia Park, Inc. ------ **Debentures & Common**
(Gearhart & Otis, Inc.; Hunter Securities Corp.; and T. J. Feibleman & Co.) $2,750,000

March 17 (Wednesday)

Pennsylvania Electric Co. ------ **Bonds**
(Bids 11 a.m. EST) $12,000,000

Stromberg-Carlson Co. ------ **Preferred**
(The First Bonston Corp). $3,601,250

Texas Gas Transmission Corp. ------ **Common**
(Dillon, Read & Co. Inc.) 200,000 shares

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 19 (Friday)

National Union Fire Insurance Co. ------ **Common**
(Offering to stockholders—underwritten by The First Boston Corp.) $6,000,000

Pennsylvania Gas Co. ------ **Common**
(Offering to minority stockholders) 17,526 shares

March 23 (Tuesday)

American Tidelands, Inc. ------ **Common**
(Crerie & Co.; Gearhart & Otis, Inc.; and Barrett Herrick & Co.) $2,000,000

Detroit Edison Co. ------ **Bonds**
(Bids noon EST) $40,000,000

Louisiana Power & Light Co. ------ **Preferred**
(Bids noon EST) $7,000,000

Merchants Acceptance Corp. ------ **Debentures**
(G. H. Walker & Co.) $1,300,000

Utah Power & Light Co. ------ **Common**
(Bids 11 a.m. EST) 200,000 shares

March 24 (Wednesday)

Dallas Power & Light Co. ------ **Preferred**
(Bids 11 a.m. EST) $7,000,000

General Telephone Co. of the Southwest **Preferred**
(Mitchum, Tully & Co., adviser to company) $1,500,000

Laclede Gas Co. ------ **Debentures**
(Bids 11 a.m. EST) $10,000,000

Light Metals Refining Corp. ------ **Common**
(Philip Gordon & Co., Inc.) $5,000,000

Mallinckrodt Chemical Works ------ **Common**
(Newhard, Cook & Co.) 75,000 shares

Texas Eastern Transmission Corp ------ **Debentures**
(Dillon, Read & Co. Inc.) $17,000,000

Texas & Pacific Ry. ------ **Equip. Trust Ctfs.**
(Bids noon EST) $1,240,000

March 25 (Thursday)

Illinois Central RR. ------ **Equip. Trust Ctfs.**
(Bids noon EST) $6,300,000

Rochester Gas & Electric Corp. ------ **Preferred**
(The First Boston Corp.) $5,000,000

Signature Loan Co., Inc. ------ **Preferred**
(Simon, Strauss & Himme; William N. Pope, Inc.; and Chace, Whiteside, West & Winslow, Inc.) $648,076

Signature Loan Co., Inc. ------ **Preferred & Common**
(Simon, Strauss & Himme; William N. Pope, Inc.; Chace, Whiteside, West & Winslow, Inc.; A. M. Kidder & Co.; Draper, Sears & Co. and Chilson, Newbery & Co.) $456,599

Southern Indiana Gas & Electric Co. ------ **Common**
(Offering to stockholders—underwritten by 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)

Allied Artists Pictures Corp. ------ **Preferred**
(Emanuel, Deetjen & Co.) $1,500,000

San Diego Gas & Electric Co. ------ **Bonds**
(Bids 11 a.m. EST) $17,000,000

Winn & Lovett Grocery Co. ------ **Debentures**
(Merrill Lynch, Pierce, Fenner & Beane) $10,000,000

April 1 (Thursday)

Pannsylvania Power & Light Co. ------ **Common**
Offering to stockholders—may be underwritten by Drexel & Co. and The First Boston Corp.) 705,000 shares

April 5 (Monday)

North American Uranium & Oil Corp. ------ **Common**
(Israel & Co.) $1,500,000

April 6 (Tuesday)

Community Public Service Co. ------ **Bonds**
(Bids 11 a.m. EST) $3,000,000

Georgia Power Co. ------ **Bonds**
(Bids 11 a.m. EST) $11,000,000

April 12 (Monday)

Central Power & Light Co. ------ **Bonds**
(Bids to be invited) $18,000,000

Gulf Insurance Co. ------ **Common**
(Offering to stockholders—no underwriting) 5,000 shares

National Fuel Gas Co. ------ **Debentures**
(Bids 11 a.m. EST) $15,000,000

(April 13 (Tuesday)

Southern Indiana Gas & Electric Co. ------ **Bonds**
(Bids 11 a.m. EST) $8,000,000

Texas Utilities Co. ------ **Common**
(Bids 11 a.m. EST) 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

York Corp. ------ **Debentures & Common**
(The First Boston Corp. and Kidder, Peabody & Co.)

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

April 21 (Wednesday)

Columbia Gas System, Inc. ------ **Debentures**
(Bids to be invited) $50,000,000

May 4 (Tuesday)

New Jersey Bell Telephone Co. ------ **Bonds**
(Bids to be invited) $25,000,000

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 EDT) $15,000,000

amendment. **Proceeds**—To Annie I. Murray, the selling stockholder. **Underwriter**—J .Barth & Co., San Francisco, Calif.

• Commodity Holding Corp. (3/15)
Feb. 25 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—To trade in commodity futures or commodities. **Office**—15 Exchange Place, Jersey City, N. Y. **Underwriter**—L. H. Rothchild & Co., New York.

★ Commonwealth Investment Co., San Francisco, Calif.
March 8 filed 2,500,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

Community Public Service Co. (4/6)
March 1 filed $3,000,000 of first mortgage bonds, series D, 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.; Blyth & Co., Inc. **Bids**—To be received up to 11 a.m. (EST on April 6 at 90 Broad Street, New York, N. Y.

★ Dakamont Exploration Corp., N. Y. City
March 3 (letter of notification) 85,000 shares of common stock (par $1). **Price**—$3.50 per share. **Proceeds** — To repay bank loans and for expenses incident to oil and gas exploration and development. **Office**—One William St., New York. **Underwriter** — Lehman Brothers, New York.

★ Dakota Television Network, Inc., Minot, N. D.
March 1 (letter of notification) $300,000 principal amount of 6% notes due Sept. 1, 1960, and 30,000 shares of common stock (par 50 cents) to be offered in units of $500 of notes and 50 shares of stock. **Price**—$500 per unit. **Proceeds**—For construction of microwave relay system and for working capital. **Underwriter**—None.

Dallas Power & Light Co. (3/24)
Feb. 25 filed 70,000 shares of cumulative preferred stock (no par). **Proceeds**—For new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Union Securities Corp.; The First Boston Corp.; White, Weld & Co.; Lehman Brothers; Blyth & Co., Inc.; Harriman Ripley & Co. Inc. and Kidder, Peabody & Co. (jointly). **Bids**—To be received up to 11 a.m. (EST) on March 24 at Two Rector Street, New York, N. Y.

★ Deep Rock Oil Corp., Tulsa, Okla.
Feb. 25 (letter of notification) a maximum of 6,000 shares of common stock (par $1) to be offered to employees under the Employees' Stock Purchase Plan. **Price**—At market (estimated to be about $44.25 per share). **Underwriter**—None.

• Detroit Edison Co. (3/23)
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. **Bids**—Expected to be received up to noon (EST) on March 23.

★ Doctor's Vitamin Co., Las Vegas, Nev.
March 5 (letter of notification) 50,000 shares of 6% cumulative preferred stock (par $1) to be issued to doctors in units of 25 shares. **Price**—$25 per unit. **Proceeds**—None—issue being offered as a device to aid sales of products. **Business**—Packaging, distribution and sales of vitamins and vitamin compounds. **Office**—1601 East Charleston Boulevard, Las Vegas, Nev. **Underwriter**—None.

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 Woodrow G. Krieger, President. **Underwriter** — Shearson, Hammill & Co., Los Angeles and New York.

Duggan's Distillers Products Corp.
Feb. 19 (letter of notification) 200,000 shares of common stock (par 10 cents) to be offered to stockholders. **Price**—25 cents per share. **Proceeds**—For general corporate purposes. **Office**—248 McWhorter St., Newark 5, N. J. **Underwriter**—None.

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.

★ Evans Radio, Inc., Concord, N. H.
March 3 (letter of notification) $25,000 of 6% debenture bonds. **Price**—At par (in units of $25, $100 and $500). **Proceeds**—To finance time sales. **Office**—10 Hills Ave., Concord, N. H. **Underwriter**—None.

• Federal Electric Products Co.
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. **Offering**—Expected today (March 11).

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.

★ Financial Security Life Insurance Co., Ltd.
Feb. 24 (letter of notification) 42,857 shares of common stock (par $1) to be offered first to stockholders under preemptive rights on the basis of one new share for each four shares held. **Price**—$7 per share. **Proceeds**—For expansion. **Office**—864 S. Beretania Street, Honolulu, T. H. **Underwriter** — Robert Brilliamde, Hawaii Underwriting Co., President and directors of Insurance company, same address.

★ Fundamental Investors, Inc., Elizabeth, N. J.
March 9 filed 1,000,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

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 Oudoor Advertising Co., Inc.
March 2 (letter of notification) 6,000 shares of common stock to be offered to certain employees under Employees' Stock Purchase Plan at closing price on New York Stock Exchange on March 26, 1954. **Proceeds**—For general corporate purposes. **Office**—Harris and Loomis Sts., Chicago, Ill.

★ General Stores Corp., New York
March 8 filed 300,000 shares of common stock (par $1). **Price**—$1.37½ per share. **Proceeds**—To pay part of cost of acquisition of Ford Hopkins Co., Chicago, Ill. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill.

★ General Telephone Co. of the Southwest (3/24)
March 4 filed 75,000 shares of 5½% cumulative preferred stock (par $20). **Price**—$21 per share. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—None, but Mitchum, Tully & Co., San Francisco, Calif., will assist and advise the company.

★ Georgia Power Co. (4/6)
March 10 filed $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. **Bids**—Expected to be received up to 11 a.m. (EST) on April 6.

★ Gillette Co., Boston, Mass.
March 5 filed 196,300 shares of common stock (par $1) to be offered from time to time by the company to its officers and other key executives pursuant to "Employees' Stock Option Plan."

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 12 on the basis of one share of preferred stock for each seven shares of common stock held; rights to expire on March 31. **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **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.

★ Harlan-Franklin Oil Corp., Jersey City, N. J.
March 1 (letter of notification) 297,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expenses incident to acquisition of property and related activities with respect to oil business. **Office**—15 Exchange Place, Jersey City, N. J. **Underwriter**—Luster Securities Co., 26 Journal Square, Jersey City, New Jersey.

★ Heliogen Products, Inc. (Del.)
March 5 (letter of notification) 20,000 shares of common stock (par $1) to be offered to common stockholders on a pro rata basis. **Price**—$5 per share. **Business**—Manufactures and sells a bactericidal agent. **Proceeds**—For working capital, etc. **Office**—35-10 Astoria Blvd., Long Island City 3, N. Y. **Underwriter**—None.

★ Insured Savings Life Insurance Co.
Feb. 26 (letter of notification) 125,000 shares of class A non-voting common stock (par $1). **Price**—$2 per share. **Proceeds** — To be invested in securities. **Office** — 4420 N. Central Avenue, Phoenix, Ariz. **Underwriter**—None.

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.

★ Johnston Adding Machine Co.
Feb. 18 (letter of notification) 50,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For tooling and dies. **Office**—402 N. Carson Street, Carson City, Nev. **Underwriter**—None.

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.

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.

Laclede Gas Co., St. Louis, Mo. (3/24)
Feb. 26 filed $10,000,000 sinking fund debentures due 1974. **Proceeds**—For repayment of bank loans and for construction costs. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; The First Boston Corp.; Blair, Rollins & Co. Inc.; Stone & Webster Securities Corp. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EST) on March 24 at Bankers Trust Co., 46 Wall Street, New York, N. Y.

★ Landa Oil Co., Dallas, Texas
Feb. 26 (letter of notification) $100,000 of 10-year 6% sinking fund bonds, series B, dated April 1, 1954 and due March 31, 1964 (callable at 103% and accrued interest). **Price**—At face amount (in denominations of $100, $500 and $1,000 each). **Proceeds**—For working capital. **Office**—5738 North Central Expressway, Landa Building, Dallas, Texas. **Underwriter** — Lynch, Allen & Co., Inc., Landa Building, Dallas, Texas.

• Light Metals Refining Corp., New York (3/24)
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.

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.

Louisiana Power & Light Co. (3/23)
Feb. 25 filed 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). **Bids**—Expected to be received up to noon (EST) on March 23, 1954.

Magnetics, Inc.
Feb. 19 (letter of notification) 250,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To pay part of cost of plant and equipment facilities. **Business** — Produces magnetic amplifiers, magnetometers and tape wound cores for use in electrical and electronics equipment. **Office**—10th St. and Railroad Ave., East Butler, Pa. **Underwriter**—None.

• Magnolia Park, Inc. (3/16-17)
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.

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Mallinckrodt Chemical Works (3/24)
March 1 filed 75,000 shares of class A common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—For expansion. **Underwriter**—Newhard, Cook & Co., St. Louis, Mo.

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.

Merchants Acceptance Corp., N. Y. (3/23)
March 1 filed $1,300,000 12-year sinking fund subordinated debentures due March 1, 1966. **Price**—100% of principal amount. **Proceeds**—To pay $306,000 of outstanding subordinated debt and for other corporate purposes. **Underwriter**—G. H. Walker & Co., New York.

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 March 27. **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. On Feb. 25, the sale of Gas Service Co. was called off by Cities Service Company. Formal hearing is still scheduled to be held before Kansas Corporation Commission, beginning March 15.

Mohawk Airlines, Inc.
Feb. 11 (letter of notification) 72,500 shares of capital stock (par $1). **Price** — $4 per share. **Proceeds** — To acquire flight equipment and for working capital. **Office**—Cornell University Airport, Ithaca, N. Y. **Underwriter**—None.

Monterey Oil Co., Los Angeles, Calif.
Feb. 2 filed 257,338 shares of common stock (par $1). **Price**—At the market price then prevailing on the New York Stock Exchange, or through special offerings or secondary distributions. **Proceeds**—To Lehman Borthers (400 shares); partners of Lehman Brothers and members of their immediate families (150,458); and The Lehman Corp. (106,480). **Underwriter**—None. No general offer planned.

☆ **Mountain States Telephone & Telegraph Co. (3/26)**
March 5 filed 487,248 shares of capital stock to be offered to stockholders of record March 26 on the basis of one new share for each four shares held. About 87% of the presently outstanding stock is owned by American Telephone & Telegraph Co. **Price**—At par ($100 per share). **Proceeds**—To repay advances from parent company and for new construction. **Underwriter**—None.

★ **National Fuel Gas Co. (4/12)**
March 9 filed $15,000,000 sinking fund debentures due 1979. **Proceeds** — To purchase certain shares of subsidiaries, who will use the proceeds to repay bank loans incurred for construction. **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. **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on April 12.

● **National Union Fire Insurance Co. (3/22)**
Feb. 26 filed 200,000 shares of capital stock (par $5) to be offered for subscription by stockholders of record March 19 on the basis of one new share for each two shares held; rights to expire on April 19. **Price**—$30 per share. **Proceeds**—To be added initially to the company's general funds to be invested in securities which are qualified as legal investments. **Underwriter**—The First Boston Corp., New York.

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.

New Yorker Magazine, Inc.
Feb. 23 (letter of notification) 2,400 shares of common stock (par $1). **Price**—$20.25 per share. **Proceeds**—To a selling stockholder. **Underwriter** — Silberberg & Co., New York.

North American Uranium & Oil Corp., N. Y. (4/5)
March 1 filed 750,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For capital expenditures, including payment of balance due on certain claims and properties. **Underwriter**—Israel & Co., New York.

North Shore Music Theater, Inc., Boston, Mass.
Feb. 3 (letter of notification) $80,000 of 5% notes due Feb. 1, 1974, and 2,000 shares of common stock (par $10) to be sold in units of $400 principal amount of notes and 10 shares of stock. **Price**—$500 per unit. **Proceeds**—For actors' equity bond, royalties, land, construction of theater and related expenses. **Office**—60 State St., Boston, Mass. **Underwriter**—H. C. Wainwright & Co., Boston, Mass.

★ **Northern Wholesale Hardware Co.**
March 2 (letter of notification) 293 shares of common stock to be offered to stockholders. **Price**—At par ($1,000 per share). **Proceeds**—To retire preferred stock and certificates of indebtedness. **Office**—805 N. W. Glisan Street, Portland, Ore. **Underwriter**—None.

★ **Pacific Butte Mines Co., Tonopah, Nev.**
March 3 (letter of notification) 400,000 shares of non-assessable common stock (par $10) to be offered in exchange for the assignment to company of certain oil and gas leases in the State of Wyoming. The company will receive an aggregate of 6,741 acres, more or less. **Underwriter**—None.

Pacific Power & Light Co. (3/29)
Feb. 25 filed $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). **Bids**—Expected to be received up to 11 a.m. (EST) March 29.

★ **Panhandle Oil Corp., Dallas, Texas**
March 5 (letter of notification) 3,000 shares of common stock (par $1) to be offered pursuant to an Employees Stock Purchase Plan (such shares purchased in the open market). **Underwriter**—None. **Office**—1320 Mercantile Securities Building, Dallas 1, Texas.

Penn-Dixie Cement Corp., New York
Feb. 4 filed 120,427 shares of capital stock (par $7) being 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**—$35.50 per share. **Proceeds**—To repay bank loans and for expansion program. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

Pennsylvania Electric Co. (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.

Pennsylvania Gas Co. (3/19)
Feb. 25 (letter of notification) 17,526 shares of capital stock (no par) to be offered for subscription by minority stockholders of record March 19 on basis of one new share for each 12½ shares held; rights to expire on April 26. National Fuel Gas Co., majority stockholder, will subscribe for an additional 28,554 shares. **Price**—$15 per share. **Proceeds**—For acquisition and working capital. **Office**—Warren, Pa. **Underwriter**—None.

★ **Pioneer Finance Co., Detroit, Mich.**
March 4 (letter of notification) 135,160 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—1400 National Bank Building, Detroit, Mich. **Underwriters**—Watling, Lerchen & Co., Detroit, Mich., and Mullaney, Wells & Co., Chicago, Ill.

Pittsburgh Consolidation Coal Co.
Feb. 26 filed $2,000,000 of participations in company's "Investment Plan for Salaried Employees," and 50,000 shares of common stock (par $1) to be offered for subscription pursuant thereto.

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.

★ **Protection Loan Co., Wyandotte, Mich.**
Feb. 23 (letter of notification) $60,000 of 5% subordinated debenture notes due Oct. 1, 1958 and $120,000 of 6% subordinated debenture notes due Oct. 1, 1962 (includes rescission offer to purchasers of $113,750 of debenture notes). **Price**—At par. **Proceeds**—For working capital and redemption of notes. **Office** — 3005 First Street, Wyandotte, Mich. **Underwriter**—None.

Reynolds Uranium Corp., N. Y.
Feb. 23 (letter of notification) 30,000 shares of common stock (par $1). **Price** — $10 per share. **Proceeds** — For mining operations. **Office**—27 William St., New York, N. Y. **Underwriter**—Luckhurst & Co., Inc., New York.

★ **Rochester Gas & Electric Corp. (3/25)**
March 5 filed 50,000 shares of preferred stock, series J (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans incurred for construction. **Underwriter**—The First Boston Corp., New York.

★ **Ryan-Evans Drug Stores, Phoenix, Ariz.**
Feb. 26 (letter of notification) 10,800 shares of common stock (par $10). **Price**—$11 per share. **Proceeds**—For expansion and working capital. **Address** — P. O. Box 5128, 1002 East McDowell Road, Phoenix, Ariz. **Underwriter**—None.

● **St. Regis Paper Co., New York**
Feb. 3 filed 93,000 shares of common stock (par $5) being 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. Offer to expire March 12. **Underwriter**—None.

San Diego Gas & Electric Co. (3/30)
March 3 filed $17,000,000 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.

San Juan Horse Racing Association
Feb. 26 (letter of notification) 50,000 shares of common stock. **Price** — $1 per share. **Proceeds** — To construct track and for working capital. **Office** — 1040 Main Avenue, Durango, Colo. **Underwriter** — Matthew W. Thomas.

● **Scurry-Rainbow Oil Ltd., Calgary, Alta., Canada**
Feb. 15 filed 4,700,416 shares of capital stock (par 50 cents) being 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. The offer expires April 5. **Underwriter**—None.

★ **Seal-Peel, Inc., Van Dyke, Mich.**
March 5 (letter of notification) $300,000 of 7% 10-year first mortgage bonds, to be issued in exchange for outstanding debt and any balance used for working capital. Company is in bankruptcy. **Office** — 11400 East Nine Mile Road, Van Dyke, Mich. **Underwriter**—None.

● **Sheraton Corp. of America, Boston, Mass. (3/12)**
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 March 10 on the basis of $100 of debentures (with stock purchase warrants) for each 100 shares of common stock held; rights to expire March 29. **Price** — At par. **Proceeds** — Principally to reduce short-term bank loans. **Underwriters** — Paine, Webber, Jackson & Curtis, Boston, Mass.; and Hamlin & Lunt, Buffalo, N. Y.

Shield Chemical Corp.
March 1 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds** — For expansion, research and development expenses and working capital. **Office** — 251 Grove Ave., Verona, N. J. **Underwriter** — Daggett Securities, Inc., Newark, N. J.

★ **Signature Loan Co., Inc., Pittsfield, Mass. (3/25)**
March 5 filed 58,916 shares of 7% cumulative convertible preferred stock (par $11) to be offered in exchange for outstanding participating preferred stock held at close of business March 25 on basis of two new shares of 7% stock for each old participating preferred share held. Subject to prior right of exchange, 47,806 shares of the new preferred are to be purchased by the below named underwriters and reoffered to public. **Price**—$11.50 per share. **Proceeds**—To retire participating preferred stock. **Underwriters** — Simon, Strauss & Himme, New York; William N. Pope, Inc., Syracuse, N. Y.; and Chace, Whiteside, West & Winslow, Inc., Boston, Mass. **Change in Name** — Company was formerly known as Federal Loan Co. of Pittsfield, Inc.

★ **Signature Loan Co., Inc., Pittsfield, Mass. (3/25)**
March 5 filed 29,458 shares of convertible preferred stock (par $11) and 29,458 shares of class A common stock (par $1) to be offered to holders of participating preferred stock in units of one share of each class of stock on the basis of one unit for each participating preferred share held as of record March 25. Company was formerly Federal Loan Co. of Pittsfield, Inc. **Price**—$15.50 per unit. **Proceeds**—For expansion and working capital. **Underwriters**—Simon, Strauss & Himme and A. M. Kidder & Co., both of New York; William N. Pope, Inc., Syracuse, N. Y.; Chace, Whiteside, West & Winslow, Inc. and Draper, Sears & Co., both of Boston, Mass.; and Chilson, Newbery & Co., Kingston, 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.

★ **Somerset Telephone Co.**
Feb. 25 (letter of notification) 5,600 shares of preferred stock. **Price** — At par ($5 per share). **Proceeds** — To establish three dial exchanges. **Office**—Norridgewock, Maine. **Underwriters**—E. H. Stanley & Co. and Clifford J. Murphy Co., of Waterville, Maine.

★ **Southern Indiana Gas & Electric Co. (3/25)**
March 5 filed 114,166 shares of common stock (no par) to be offered for subscription by common stockholders of record March 24 on the basis of one new share for each seven shares held; rights to expire on April 8. **Price**—To be fixed by company on March 23. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Smith, Barney & Co., New York.

★ **Southern Indiana Gas & Electric Co. (4/13)**
March 5 filed $8,000,000 first mortgage bonds due April 1, 1984. **Proceeds**—To repay bank loans and for construction program. **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); Flair, Rollins & Co. Inc. **Bids**—To be received up to 11 a.m. (EST) on April 13 at office of Commercial Services, Inc., 20 Pine Street, New York, N. Y.

Spa-King Mount Clemens Water Products Corp. (3/15)
March 1 (letter of notification) 299,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital, etc. **Office**—34-24 Vernon Blvd., Long Island City 1, N. Y. **Underwriter**—Teden & Co., Inc., New York.

★ **Spokane Seed Co., Spokane, Wash.**
March 8 filed $600,000 of 5% convertible debentures due June 15, 1964, to be sold to pea growers located in Eastern Washington and Northern Idaho. **Price**—100% of principal amount. **Proceeds**—To improve facilities and for working capital. **Underwriter**—None.

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. (3/17)
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.

★ **Sunlight Mining Co., Spokane, Wash.**
March 1 (letter of notification) 100,000 shares of non-assessable capital stock. **Price**—25 cents per share. **Proceeds** — For mining expenses. **Office** — 305 Rookery Building, Spokane, Wash. **Underwriter**—None.

Texas Co., New York
Feb. 25 filed $11,500,000 participations in company's "Employees Savings Plan" and 178,295 shares of capital stock (par $25) to be offered for subscription pursuant thereto.

★ **Texas Eastern Transmission Corp. (3/24)**
March 4 filed $17,000,000 of debentures due March 1, 1974. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Dillon, Read & Co. Inc., New York.

Texas Gas Transmission Corp. (3/17)
Feb. 25 filed 200,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To two selling stockholders. **Underwriter**—Dillon, Read & Co., Inc., New York.

• **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 plus $5 in cash for each American Woolen common share. The offer will expire March 22, unless extended. **Dealer-Manager** — Blair, Rollins & Co. Inc., New York.

★ **Trans Caribbean Airways, Inc.**
March 4 (letter of notification) 20,000 shares of class A common stock (par 10 cents). **Price**—At market (about $2.25 per share). **Proceeds**—To O. Roy Chalk, President, who is the selling stockholder. **Underwriter** — B. G. Phillips & Co., New York.

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. Offering subsequently withdrawn.

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, at Room 2033, Two Rector St., New York, N. Y.

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 (EDT) on May 19, at Room 2033, Two Rector St., New York, N. Y.

★ **Warren Petroleum Corp., Tulsa, Okla.**
March 4 (letter of notification) an undetermined number of shares of common stock (par $3) to be offered at the market (aggregate not to exceed $300,000) to employees pursuant to company's Employees' Stock Purchase Plan. **Proceeds**—For drilling of wells. **Office**—2100 National Bank of Tulsa Building, Tulsa, Okla. **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.

Westinghouse Electric Corp., Pittsburgh, Pa.
March 2 filed 483,190 shares of common stock (par $12.50) to be offered under restricted stock option plan to certain officers and other executive employees of company and its subsidiaries; and 200,000 shares of said stock to be offered under employees' stock plan to employees of company and six subsidiaries.

★ **William Penn Finance Co. (Calif.)**
March 1 (letter of notification) 2,000 shares of common stock. **Price** — At par ($10 per share). **Proceeds** — For working capital. **Underwriter**—None.

★ **Winn & Lovett Grocery Co. (3/30)**
March 10 filed $10,000,000 sinking fund debentures to mature April 1, 1974. **Price**—To be supplied by amendment. **Proceeds** — To retire $4,400,000 of outstanding funded debt and for general corporate purposes. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

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

Alabama Gas Corp.
March 1 it was announced stockholders will vote April 20 on approving an increase in the authorized common stock (par $2) from 1,000,000 to 2,000,000 shares. Southern Natural Gas Co., parent, owns about 99% of the presently outstanding common stock. There are no plans for immediate financing. **Underwriter**—None.

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.

★ **Arizona Public Service Co.**
March 8 directors approved the issuance of $15,000,000 3½% first mortgage bonds to be placed privately with 15 insurance companies, banks and trust funds. **Proceeds**—For expansion program.

Arkansas Louisiana Gas Co.
Feb. 22 it was reported Cities Service Co. may sell its holdings of 1,900,000 shares of this company's stock. If sold at competitive bidding, bidders may include Smith, Barney & Co. and Blyth & Co., Inc. (jointly).

• **Arkansas Power & Light Co. (4/20)**
March 3 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.; 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. **Registration**—Expected March 18.

Arkansas Power & Light Co.
Feb. 8 it was reported company plans to sell, probably in August, an issue of about $7,500,000 first mortgage bonds due 1984. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers, Stone & Webster Securities Corp. and White, Weld & Co. (jointly); Blyth & Co., Inc., Equitable Securities Corp. and Central Republic Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly).

Baltimore & Ohio RR. (3/15)
Bids will be received by the Secretary of Reconstruction Finance Corporation, 811 Vermont Ave., N. W., Washington 25, D. C., on March 15 for the purchase from the RFC of all or any part of $65,000,000 collateral trust 4% bonds, series A, due Jan. 1, 1965 of this railroad. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., The First Boston Corp., Merrill Lynch, Pierce, Fenner & Beane and Alex. Brown & Sons (jointly); Bear, Stearns & Co.

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 Hudson Gas & Electric Corp.**
March 8 it was announced issues of mortgage bonds and preferred stock are now under consideration, but definite plans will depend largely upon developments in the securities markets. Construction cash requirements are estimated at $17,300,000 for 1954-1955. Company is reported to be considering the issuance of about $9,000,000 bonds this fall and $3,500,000 of preferred stock in 1955. **Underwriter**—Kidder, Peabody & Co., New York.

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. (4/12-16)**
March 2 company applied to SEC for authority to issue and sell $18,000,000 first mortgage bonds, series F, due 1984. **Proceeds**—To refund an issue of $8,000,000 4⅛% series E bonds and 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 week of April 12. **Registration**—Scheduled for March 22.

★ **Central RR. of New Jersey**
March 9 company sought ICC permission to issue and sell $1,980,000 equipment trust certificates to be dated April 1, 1954 and to mature in 15 annual installments to April 1, 1969. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

Columbia Gas System, Inc. (4/21)
March 2 company filed an application with SEC covering a proposed offer of $50,000,000 convertible subordinated debentures due 1964 to common stockholders on the basis of $100 of debentures for each 36 shares held on or about April 21. **Proceeds** — For construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Tentatively scheduled for April 21.

★ **Columbia Gas System, Inc.**
March 5 it was announced that company plans early in June to issue and sell $40,000,000 of senior debentures and an additional $40,000,000 of senior debentures later in 1954. **Proceeds**—For construction expenses and to re-

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pay a bank loan of $25,000,000. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Connecticut Light & Power Co.
Dec. 7 it was reported company plans to raise between $10,000,000 and $20,000,000 in 1954 from sale of bonds and stock. **Underwriters**—For common stock: Putnam & Co.; Chas. W. Scranton & Co., and Estabrook & Co. Bonds may be placed privately.

Consolidated Natural Gas Co.
Jan. 27 it was reported company plans to issue and sell $25,00,000 of debentures due 1979. **Proceeds** — To purchase stock of company's operating subsidiaries, who in turn will apply these proceeds for construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Morgan Stanley & Co. and The First Boston Corp. (jointly). **Offering**—Tentatively expected in May.

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.)
Feb. 23 stockholders approved a proposal to issue and sell to stockholders of record Feb. 26 a total of 400,000 additional shares of $12.50 par value capital stock on the basis of one new share for each three shares held; rights to expire on April 15. **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 March 25 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.

Gas Service Co. (Mo.)
Feb. 25 Cities Service Co. announced the cancellation of its contract to sell the Gas Service Co.'s 1,500,000 shares of common stock to Missouri Public Service Co. for $32,000,000. If these shares are again registered with the SEC, they may be offered for sale at competitive bidding. Probable bidders include: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Stone & Webster Securities Corp. and Stern Bros. & Co. (jointly); Union Securities Corp.

● General Public Utilities Corp.
March 8 it was announced company plans to offer about 606,576 additional shares of common stock (par $5) to stockholders in May, 1954 on the basis of one new share for each 15 shares held. **Price**—To be determined just prior to the offering date. **Proceeds**—To be invested in the domestic subsidiaries. **Underwriter**—None, but Merrill Lynch, Pierce, Fenner & Beane may act as clearing agent.

★ General Telephone Co. of Indiana, Inc.
March 8 it was announced that the company anticipates that some $3,200,000 of first mortgage bonds and capital stock will be sold in 1954. The bonds are expected to be sold privately. All of the company's common stock is owned by General Telephone Corp., the parent company.

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.

★ Hewitt-Robins, Inc.
March 3 it was announced stockholders will vote March 23 on authorizing an issue of 50,000 shares of cumulative preferred stock (par $50), of which it is planned to sell 25,000 shares. **Proceeds**—To acquire additional properties and for working capital. **Underwriter**—F. Eberstadt & Co., Inc., New York.

★ Illinois Central RR. (3/25)
Bids will be received by the company up to noon (CST) on March 25 at Room 301, 135 East 11th Place, Chicago 5, Ill., for the purchase from it of $6,300,000 equipment trust certificates, series 39, to be dated April 1, 1954 and to mature in 30 equal semi-annual installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Blair, Rollins & Co. Inc.; Kidder, Peabody & Co.

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.

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.
March 8 it was announced that company may issue and sell later in 1954 $16,000,000 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.; 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. **Meeting** — Stockholders will vote April 27 on approving new financing.

★ Koppers Co., Pittsburgh, Pa.
March 3 it was announced stockholders will vote March 29 on increasing the authorized common stock from 2,000,000 shares (1,867,125 shares outstanding) to 3,000,000 shares. There are no immediate plans to issue any of the additional stock. **Underwriter**—The First Boston Corp., New York.

★ Long Island Lighting Co.
March 4 it was announced company plans later this year to issue additional common stock and mortgage bonds to finance its construction program, which will require about $70,000,000 additional financing. **Underwriter**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Smith, Barney & Co. Underwriters for common stock may be Blyth & Co., Inc., The First Boston Corp. and W. C. Langley & Co. and associates.

Louisville & Nashville RR.
Nov. 12 it was reported that the company may issue and sell an issue of bonds late in 1954. **Proceeds**—To retire $24,610,000 Atlanta, Knoxville & Cincinnati Division 4% bonds due May 1, 1955, and for general corporate purposes. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Salomon Bros. & Hutzler (jointly).

Metropolitan Edison Co.
Dec. 16 it was reported company may sell in 1954 about $3,500,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly).

Missouri Public Service Co.
Dec. 28 it was announced company plans to issue and sell $14,000,000 of common stock and borrow $18,000,000 from banks in connection with proposed acquisition of 1,500,000 shares of common stock of Gas Service Co. of Kansas City, Mo., at a total cost of $32,000,000. Following consummation of proposed merger of the two companies, it is planned to sell $9,000,000 of first mortgage bonds, $2,500,000 of debentures and 65,000 shares of preferred stock (par $100). **Proceeds** — To retire bank loans. **Underwriter**—For common stock (now in registration): Kidder, Peabody & Co.

New Jersey Bell Telephone Co. (5/4)
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. **Bids**—Tentatively expected May 4.

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.

★ Pennsylvania Glass Sand Corp.
Feb. 26 it was announced stockholders will vote April 27 on increasing the authorized common stock from 740,000 shares to 1,000,000 shares. No immediate plans to issue any of the additional stock have been announced. **Underwriters**—Harriman Ripley & Co. Inc., and Smith, Barney & Co., New York.

Pennsylvania Power & Light Co. (4/1)
March 1 it was announced company plans to offer to its common stockholders of record about April 1 an issue of 705,000 shares of common stock (no par) on the basis of one share for each seven shares held. **Proceeds**—For construction program. **Underwriters**—Drexel & Co., Philadelphia, Pa. and The First Boston Corp., New York.

Public Service Co. of Colorado
Oct. 13 it was reported company is planning to float an issue of $15,000,000 first mortgage bonds, due 1984, early in 1954. **Proceeds** — For financing, in part, a $17,000,000 electric generating plant to be constructed in Denver, Colo. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Harris, Hall & Co. Inc.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly).

Public Service Electric & Gas Co.
Jan. 27, G. H. Blake, President, announced that a $50,000,000 financing program is expected in the Spring. The type of securities to be issued is still undetermined,

but some form of debt financing is indicated. **Underwriters**—For any bonds will be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co Inc.; Morgan Stanley & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Lehman Brothers (jointly); The First Boston Corp. Previous public offering of common stock was handled by a group headed by Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co.

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.

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.

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.

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 Eastern Transmission Corp.**
March 5 it was announced stockholders will vote April 27 on increasing the authorized common stock from 7,500,000 shares to 10,000,000 shares. **Underwriter**—Dillon, Read & Co. Inc., New York.

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 up to 11 a.m. (EST) on April 13, 1954. **Registration** — Expected March 15.

★ **Toledo Edison Co.**
March 3 it was announced stockholders will vote April 20 on increasing the authorized cumulative preferred stock from 300,000 shares to 500,000 shares. **Underwriters**—The First Boston Corp., New York, and Collin, Norton & Co., Toledo, Ohio.

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.

★ **Union Oil Co. of California**
March 8 it was announced stockholders on April 13 will vote on increasing the authorized common stock from 7,500,000 shares to 15,000,000 shares. The company said it has no immediate plans to market the additional shares.

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.

★ **West Texas Utilities Co.**
March 5 company sought SEC permission to issue and sell $6,000,000 of preferred stock. **Proceeds**—To redeem $6 preferred stock and to finance new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.; Harriman Ripley & Co. Inc.; Union Securities Corp.; Lehman Brothers.

● **York Corp. (4/14)**
March 1 it was reported company may issue and sell 220,000 additional shares of common stock and $18,000,000 of debentures. **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. **Registration**—Expected on March 25.

Joins Adams Sloan

(Special to THE FINANCIAL CHRONICLE)

SARASOTA, Fla. — Leonard C. Visscher is now with Adams, Sloan & Co., Inc., 1286 Palm Avenue. He was previously with Allen & Co.

Two Join L. C. McClure

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla.—Robert C. Bryan and Richard F. Burch have become associated with Louis C. McClure & Co., 617 Madison St. Mr. Burch was formerly with Florida Securities Co.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Mrs. Jane C. Thompson has become affiliated with Merrill Lynch, Pierce, Fenner & Beane, 23 Pryor St., N. E.

Two With Fahey Clark

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—James D. Soucek and Thomas B. Summers have become connected with Fahey, Clark & Co., Union Commerce Building, members of the Midwest Stock Exchange.

Green, Erb Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Albert J. Milnar has been added to the staff of Green, Erb & Co., Inc., NBC Building, members of the Midwest Stock Exchange.

With First Southern Inv.

(Special to THE FINANCIAL CHRONICLE)

BOYNTON BEACH, Fla. — Frank J. Barna and Joseph W. Davis are now with First Southern Investors Corp., Southwest First Avenue.

Sanders With W. E. Hutton

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—William H. Sanders has become associated with W. E. Hutton & Co. Mr. Sanders was formerly Columbus, Ohio manager for Baxter Williams & Co.

With Edward N. Siegler

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Merle R. Kazdin has joined the staff of Edward N. Siegler & Co., Union Commerce Arcade, members of the Midwest Stock Exchange.

Two With Vercoe

COLUMBUS, Ohio—Henry R. Davies and Philip B. Drake are now associated with Vercoe & Co., Huntington Bank Building, members of the New York Stock Exchange. Mr. Drake was previously with Westheimer & Co.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — One of the special provisions of the tax bill the House Ways and Means Committee has worked out requires all corporations for each of the next five years to pay 110% of their legal tax liabilities to the Treasury.

This is part of the new "Mills plan," but very definitely without the blessing or authorship of the first "Mills plan," or Rep. Wilbur Mills (D., Ark.). It is a new plan for accelerating corporation income tax payments.

Under the first Mills plan corporations, which had been for years paying their previous year's Federal income tax liabilities in four equal instalments in the year following the earning of the money, by next year will be paying 100% of their liabilities in the first two quarters.

This older scheme was concocted, as one leading Senator put it, "to help Mr. Truman get a surplus in at least one of his years in office."

Now there is a new tax acceleration plan. Beginning in 1955 corporations will have to estimate by Sept 15 their tax liabilities for the year, and pay 5% thereof each in September and December. The next year it jumps to 20% of liabilities being required in the last half of the calendar year. By 1959, corporations will be paying 50% of their taxes in the last six months of the year in which they are earned, and 50% in the first six months of the succeeding year.

Practical effect of this is that the actual sums which corporations will hand over to the Treasury will amount to 110% of their tax liabilities incurred on earnings from 1955 to 1959, inclusive.

It is expected to give considerable short-term help to the doctoring up of the budget picture, if it is enacted in the final bill.

Treasury Pushed Plan

It is amazing how this, in fact, additional tax liability got into the revision bill with so little notice. In the first place, Treasury backing was discounted, until it appeared in the budget Jan. 2. Even when the budget carried the proposal, strong Administration backing was not observed.

However, the Treasury vigorously pleaded for this accelerated payment scheme in executive sessions before the Ways and Means Committee only comparatively recently. A majority of the committee only a few weeks ago was definitely opposed to the plan. The great majority of businessmen were off their guard as to this possibility.

Only the most vigorous urging by the Treasury caused the reluctant majority of the Ways and Means Committee to go along and report it out as a part of the revision bill.

Two Houses Plot Separate Strategy

One of the fundamental considerations which may confuse many about tax legislation is an ever-present background factor which always operates in the consideration of tax bills.

This is that, to a large extent, the strategy on tax bills is schemed with the thought primarily of how to handle them in the particular House which at the time is considering them, rather than from the viewpoint of the Congressional slant as a whole.

For instance, House Democrats have been afraid that they might miss a chance to get to vote on increasing the personal income tax exemptions. They wanted to vote for them. They wanted to be recorded as voting for them. One of their worries has been that the vote might be escaped in the House and the Senate would "get the credit" for increasing the exemptions.

House Republicans, however, have had the opposite objective. If Republicans were forced to record themselves, they would have had a sorry choice. If they voted for higher exemptions they were recording themselves against the White House. If they voted for lower exemptions they risked offending taxpaying voters.

While House GOP leaders probably knew they couldn't escape a record vote on the exemptions question, they have had an additional problem. They wanted to secure the revision bill. So they revolutionized their strategy of not voting "rate questions" as part of the revision bill. They added the proposal to continue for one year the 52% corporation income tax rate to the revision bill, figuring perhaps the Democrats of the House would skip the revision bill as the vehicle upon which to offer the amendment to raise exemptions. (They may be figuring wrongly.)

From the news point of view, however, the House has only half the show on taxes. The Senate may keep the excise tax bill as a separate bill, or it may join it to the revision bill, or it may make other changes. No tax bill becomes law until finally passed by both Houses and signed by the President. What has gone before has been mainly House of Representatives strategy.

Labor Bill Doubtful

IF a labor act amendment comes out of the House Labor Committee, it is most likely to be a conservative bill. It is quite likely to tighten rather than loosen the strictures on the secondary boycott. It is likely to give the President authority to deal more adequately with strikes involving national emergencies. It is most likely to give states more authority over labor relations.

In other words, it is a bill which many Democrats friendly to labor would vote against, and many Republicans afraid of organized labor might be too timid to vote for. But if it passed the House it is a bill which the much more pro-labor Senate Labor Committee would not take.

So the chances of a Taft-Hartley Act change at this session remain dim.

Don't Worry About OASI Trust Fund

Persons who have "contributed," albeit by the force of taxation, to the Old Age and Survivors Insurance Fund need have nary a worry about what kind of a problem will arise come the day when it becomes necessary to draw on the fund—when social security outpayments take more money than is collected by OASI payroll taxes.

This is explained with legal correctness by Mrs. Oveta Culp Hobby, Welfare Department Secretary. Rep. Wright Patman (D., Texas) received a set of searching questions from an apparently well-informed citizen. He wanted to know if the OASI trust fund had not been dissipated and wouldn't it be necessary for the government, when time came to draw on the OASI fund, to tax people, including those who had already paid payroll taxes for the old age insurance, to make good the money that had been spent.

So Mr. Patman sent the questions to Mrs. Hobby, who replied to them. And Mr. Patman put the questions and answers into the Congressional Record just so everybody's misunderstanding — not the trust fund—would be dissipated.

As to the dissipation of "assets" (she did not use the word, "money") Mrs. Hobby replied with a correctness that no one is likely to challenge:

"None of the assets of the fund have been converted to the use of the government," adding, in brief, that every dollar's worth of OASI has been invested in Federal bonds.

As to what happens when the time comes to start drawing on that trust fund for cash, Mrs. Hobby explained that of course "the government will be required to levy taxes to pay the interest and redeem the principal of the obligations of the trust fund." And she candidly admits that all taxpayers, including persons covered by social security, will have to bear these taxes.

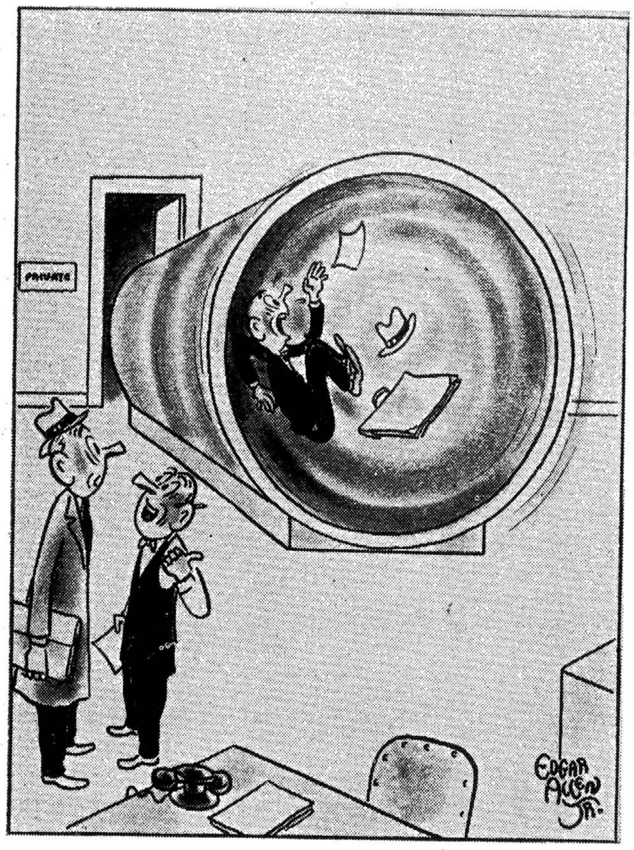
But, she makes it clear, the idea is not that social security beneficiaries and contributors will have to pay for their social security twice.

"However these (future) taxes are not for the purpose of paying social security benefits," Mrs. Hobby explained. "Rather, they are to pay for the costs of the war and its aftermath and the general operating expenses of the government, that is, the purposes for which the money was originally borrowed."

So now it is all clear. The fund has not been dissipated. Every bit of it is there in the form of bonds, representing money that has been spent for one war or another, for recovery, for foreign aid, for housing, for veterans benefits, or for the pay of Federal employees. When the time comes for making good on the money spent and represented by trust fund bonds, the government will have to raise it by additional taxes. But the notion that pensioners or potential pensioners might thereby be paying in part for their social security twice is just a silly notion that—not the trust fund—must be dissipated.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capitol and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ



"The boss got the idea at Coney Island—uses it to discourage process servers!"

Business Man's Bookshelf

Economic Outlook: Taxation and Investment—Beardsley Ruml—(reprints of an address)—The Seventh Company, Inc., 604 Fifth Avenue, New York 20, N. Y. (paper).

Industrial Relations, 1953—Bibliography of outstanding books—Selected References Industrial Section, Princeton University, Princeton, N. J. (paper), 20c.

Joint Economic Report — Joint Committee on the Economic Report—Government Printing Office, Washington, D. C. (paper).

Manual of Excellent Managements: 1954 Edition—American Institute of Management, 125 East 38th Street, New York 16, N. Y. (cloth).

Mennen Story, The—Alfred Lief—McGraw-Hill Book Co., Inc., New York, N. Y. (cloth), $3.

Statistical Year Book: Quebec 1953—Department of Trade and Commerce, Province of Quebec, Quebec, Canada (cloth).

Secret Diary of Harold L. Ickes: The First Thousand Days—Harold L. Ickes—Simon & Schuster, New York (cloth), $6.

With G. H. Walker Co.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — Edward B. Lewis has become associated with G. H. Walker & Co., 111 Pearl Street. Mr. Lewis was previously with Putnam & Co.

Walston Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Alonzo G. Foreman is now with Walston & Co., 550 South Spring Street. He was previously with Hill Richards & Co.

With H. Hentz Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla. — Sidney Davidson has become affiliated with H. Hentz & Co., 2809 Collins Avenue. Mr. Davidson was formerly with Francis I. du Pont & Co.

Joins J. A. Hogle

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Mark W. Kosterman has joined the staff of J. A. Hogle & Co., 428 North Camden Drive. He was previously with Shearson, Hammill & Co.