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EDITORIAL

As We See It

Only a zealot consecrated to some "cause" or a politician seeking purely partisan advantage is likely to find any sort of general "mandate" in the election returns this year. In the attitudes and the statements of the political parties and their chief spokesmen, as well as in the behavior of office holders, evidence of an awareness of this elementary fact is to be found in abundance. Appeals of various sorts by various people with varied political affiliations were repeatedly made in the campaign. Serious and even violent charges were not infrequent. When the count is all in and reviewed (as several of the individual returns are now being reviewed) it will be found that none of these had any clear reflection in the voting.

A somewhat less than usual turnabout occurred in an off-year election. It switched a slim margin of control in Congress to the Democrats and thus laid heavy responsibility upon a party which has been enjoying the luxury of irresponsibility for two years. The why's and wherefore's are lost in a surprising and confusing medley of voices. This is certainly not a situation wholly to be desired by either the victors or the vanquished. Not only is there a sort of divided command installed in Washington, but a divided electorate which seemed uninterested in real issues set this situation up in Washington. Each of the parties, if not each of the individuals representing those parties in the nation's capital, is on its own, as it were.

Yet there are some definitely encouraging aspects. What some observers had feared — namely a positive mandate to move sharply to

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Savings Banks' Dividend Policy

By WILLIAM A. LYON*

Superintendent of Banks, State of New York

After calling attention to the removal in New York State of a ceiling on savings banks' dividends, Superintendent Lyon explains why the banks must give his department 30 days' notice of dividend increases. Notes increase in earning power of the savings banks, due mainly to enlargement of the mortgage portfolio. Warns against "volatility of big accounts," and urges banks follow a conservative dividend policy. Points out building up a good surplus by savings banks "is the goal toward which good earning power strives."

Let me begin my remarks with a quotation. This I do in spite of a last century warning that a person given to quoting is either ostentatious of his accomplishments or doubtful of his cause. In this instance I do not believe it can fairly be said that I am either a would-be scholar or wavering in my conviction. For, you see, I borrow only from myself and re-use a few words that I spoke to you from a watery pulpit during last year's convention. The words of a year ago which I now repeat were spoken just about two weeks after the Banking Board had removed the ceiling on dividend and interest payments and passbook accounts. They followed also the notice we gave you that the Banking Department would like to be notified 30 days in advance of any final action on a dividend change. Now comes the quotation:

"The 30-day period is intended to help smooth the way from a controlled rate to a free rate. The last thing we want, I can assure you, is to replace formal control

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*An address by Superintendent Lyon, at the 61st Annual Meeting of the Savings Banks Association of New York State, White Sulphur Springs, West Virginia, Nov. 3, 1954.



Wm. A. Lyon

Oils the Fund Favorites In Third Quarter

By HENRY ANSBACHER LONG

Investment companies also continued preference for rails, non-ferrous metals and steels with U. S. Steel remaining top choice among individual issues. Natural gas, industrial and agricultural machinery, auto, food and paper stocks also retained their popularity of the previous quarter. Chemicals, electrical equipment, aircraft and retail issues were sold. Opinion was divided on the electric utilities, building and insurance stocks.

Investment companies continued their interest in the petroleum issues during the third quarter of the year, stepping up purchase transactions 20% over that of the previous three months' period. Buying was particularly noticeable in the portfolios of the Eaton and Howard funds, the Fully Administered Fund and Common Stock Fund of Group Securities, General Investors Trust, Wellington, Delaware Fund, Fidelity Fund and Fundamental Investors. This latter company also made the largest purchase of the favorite individual stock of the period—67,000 shares of United States Steel. The steel group, along with the rails, non-ferrous metals and natural gas companies continued to hold the main interest of fund managers as during the June quarter. Industrial and agricultural machinery, auto, food and paper stocks also retained their popularity.

Selling predominated in the chemicals and electrical equipments, a trend which was foreshadowed in the previous three months, and was also noticeable in the aircraft, retail, glass and container and retail issues. Liquidation subsided somewhat in the tobaccos, with sales down one-third from the June quarter. Opinion

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Henry A. Long

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

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

CHARLES K. ANDREWS
Assistant Vice-President,
Templeton, Dobbrow & Vance, Inc.,
Investment Counselors,
Englewood, N. J.; Philadelphia, and
New York City

Unilever N. V. Common Stock

In recent months there has been a reawakening of investor interest in the outstanding values obtainable in certain investment grade foreign securities. An overall investigation indicates that Unilever N. V. common stock is one of the most undervalued securities in the market.

Some of the most important factors in its analysis are outlined in this article. There are two tendencies which make Unilever N. V. stock unusually interesting at this time for investors willing to assume the additional degree of risk involved in the ownership of selected high grade foreign stocks. One tendency is that of the managements of leading European companies to cultivate the good will of United States investors in order to obtain United States capital. The other tendency is the growing realization of United States investors that, at their present market prices, the stock of the largest European companies may represent considerably more investment value per dollar in terms of asset values, earning power and potentiality for capital and income growth than comparable United States companies.

Unilever N. V. stock is arousing particular interest in United States investment circles at the present time because it may follow the recent action of Royal Dutch Petroleum in seeking listing for its stock on the New York Stock Exchange. During the last two and a half years the market price of Royal Dutch stock has more than doubled.

The Unilever group of companies is a global enterprise with top management located in Holland and England. The Unilever Group's top holding companies have the legal form of two companies, Unilever Ltd. (English) and Unilever N. V. (Dutch), to avoid double taxation. They are, however, operated in every other respect as one company so that a share of Unilever N. V. stock is as benefited by the diversified operations of the whole group as much as it would be if there were only one holding company.

Although we have no specific information that the company is planning to split its stock, recently quoted at about \$1,100 per share, in the Over-the-Counter Market, a reasonable assumption is that there will eventually be a stock split in the neighborhood of 20 or 30 for one in order to increase investor interest.

Products and Popularity

Many of the Unilever Group's products in the United States are well known to the United States consumer. These products are manufactured primarily by Lever Brothers, a United States subsidiary. Examples of Unilever products are Lux, Lifebuoy, Rinso, Surf, Spry, Good Luck Margarine, Pepsodent Tooth Paste and Lip-

ton's teas and soups. All of these products have large advertising budgets and the familiarity and popularity of the items should be an advantage to Unilever, if it should decide to embark on a program of developing a greater popularity for the company's stock.

Industry Position and Competition

The Unilever Group is reported to supply approximately one-tenth of the world's, and two-thirds of the British Empire's, soap requirements. It also supplies two-fifths of the world's, and about three-fourths of Europe's margarine. Other products are oils and fats, of which Unilever purchases and processes more than one-third of the world's supply. It also participates in numerous other food fields.

In the United States, Unilever's chief competitors are Colgate-Palmolive-Peet and Procter & Gamble. Unilever's United States subsidiary, Lever Brothers, has not had a favorable record in recent years and is only beginning to be self-supporting but Unilever's world-wide financial record shows substantially greater progress in recent years than its United States competitors.

Sales, Earnings, Market Price And Dividends

Since the end of World War II (between 1946 and 1953) Unilever has more than tripled both sales and earnings per share. In comparison Colgate-Palmolive-Peet's sales have increased by about 70% of what they were in 1946 and earnings per share have decreased by over 40%. Procter & Gamble's sales are approximately two and one-half times what they were in 1946 and earnings are about 50% higher than those of 1946.

The above figures are particularly interesting when it is noted that during this period the average market price of Unilever common stock only increased by about 50%. At its recent price of about \$1,100 a share, Unilever is selling at less than 7.5 times 1953 earnings. Colgate-Palmolive-Peet is selling at more than 10 times earnings and Procter & Gamble at more than 20 times earnings.

Unilever paid a dividend in 1953 which amounted to approximately 4.2% of its average price. Colgate-Palmolive-Peet paid a 5% dividend on its average 1953 market price and Procter & Gamble 4.3%. Unilever paid out a much smaller per cent of its net profits than its competitors and it seems clear that it can pay a larger dividend without any difficulty if it should decide to use this means of making its stock even more attractive to the public.

Net Assets Per Share, Safety and Future Prospects

Each share of Unilever N. V. common stock is represented by net assets of over \$1,200.

It is important to note that Unilever operations are spread among more than 400 wholly owned companies and an additional 55 companies in which it holds a minority interest. These companies operate in more than 50 countries. Because of the world-wide spread of Unilever's operations, it is unlikely that it would be more than slightly affected by the loss or curtailment of a particular local operation. This factor provides a degree of safety to the stock that is only present in a few of the largest companies in the world. This safety factor is even rare in the most popular stocks presently



Charles K. Andrews

This Week's Forum Participants and Their Selections

Unilever N. V. Common Stock—
Charles K. Andrews, Assistant
Vice-President, Templeton, Dobbrow & Vance, Inc., New York City. (Page 2)

Ruberoid Company—Edwin H. Muir, Partner, John Muir & Co., New York City. (Page 2)

listed on the New York Stock Exchange.

Because the Unilever Group's business primarily concerns consumers' goods, its operations have good depression resistant qualities as well as good growth characteristics. Soap and margarine are generally considered essentials of life, and they are relatively cheap essentials. Sales and earnings are likely to be relatively little affected by a depression.

It is most probable that Unilever's sales and net profits will continue to grow although not at as rapid a rate as in the last few years.

The year 1953 provided what can generally be termed a normal economic background for Unilever's world-wide operations. The year was probably the most prosperous since World War II. The situation was not greatly affected by increasing inflationary pressures or international balance of payments problems. There is also a tendency for world commodity markets to stabilize. The excellent record of 1953 might well be considered a barometer of expected results during normal operating conditions in the future.

EDWIN H. MUIR

Partner, John Muir & Co., N. Y. City
Members: N. Y. Stock Exchange
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Exchange, New York City

Ruberoid Co.

Considering the present high level of the stock market, it becomes increasingly difficult to find an issue of superior quality that has not already reached a price equal to its present and future potentialities.

Such a stock is Ruberoid. Although it has, to some extent, discounted its present value because of a 100% stock dividend in May of this year, and a subsequent rise in price to 41, we believe The Ruberoid Co. has a splendid future both for continued generous dividends and capital appreciation.

When The Ruberoid Co. stepped into the gypsum mining and manufacturing business last summer, it accomplished what many corporations aim at, but what few succeed in doing. By purchasing the assets of the Ebsary Gypsum Company in Wheatland, N. Y., Ruberoid added importantly to its product line with a going business. Yet, it stayed strictly within the building materials field in which it is a major factor and did not add materially to overhead costs.

Although it is the nation's largest asphalt roofing manufacturer and a leading producer of asbestos-cement products, Ruberoid rarely hits the headlines. Combined with this lack of fanfare, the corporation's record of uninterrupted dividends since 1889, freedom from debt, its strong financial condition and the

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Export-Import Bank Portfolio Sales to Investors Urged; Export Credit Guarantees Ready

By HERBERT M. BRATTER

Mr. Bratter discusses recent developments in and out of Congress regarding the Export-Import Bank, and holds a plan under study by high Administration officials could result in the foreign loan portfolio of the Export-Import Bank being sold to private investors, as recommended in the Citizens Advisory Committee. However, sees Uncle Sam chary about giving an investment syndicate anything that might be called "too good a deal," and notes that without an adequate deal from the banker's standpoint nothing will happen. Cites interview on proposals with Senator Homer Capehart.

In the Senate Banking and Currency Committee the housing scandals among other considerations have caused the temporary laying aside of further investigation into the Export-Import Bank and World Bank, but we may count on hearing more on these subjects from Capitol Hill later on.



Herbert M. Bratter

At this writing, although the law which added \$500,000,000 to Export-Import Bank's \$4,500,000,000 lending power and provided for a new board has been on the books for several months, all five appointments to the full board of directors and advisory committee have not yet been made and confirmed.

Meanwhile, the Export-Import Bank, under the watchful eye of Senator Capehart and business interests, has been laying plans for a more active life—let the Treasury like it or lump it. It was only last year that the team of Humphrey and Burgess obtained Congressional consent to a streamlining of the Export-Import Bank on the grounds that experience had shown the previous system to be unwise. The previous system was management of Export-Import Bank by a board of directors accompanied by a full Export-Import Bank vote in all decisions of the National Advisory Council on International Monetary and Financial Problems. But this year, on the insistence of Senators Capehart and Maybank, the Treasury testified that experience has shown that the best system of operating the Bank is, after all, not to put it under too close Treasury control, but to return to the type of management and operation of the Bank that was given up in 1953. So in 1954 the Congress changed everything back again.

This has been very heartening to the Bank, of course; while others have been encouraged to devise new ways of getting it to help our export trade compete with that of industrially-invigorated nations of Europe and Japan. Not all such new plans meet with the Bank's approval. One plan now under study by high

Administration officials could result in large parts—and ultimately perhaps all—of the foreign-loan portfolio of the Export-Import Bank being sold to private investors in the United States and coincident repayment to the Treasury of the sums advanced, by it to the Bank, presently outstanding to the total of more than \$2,750,000,000. Should this plan be adopted and work out as suggested, it will mean that the Treasury will have just that much more room to operate under the public debt ceiling recently raised—temporarily—above the \$275,000,000,000 statutory limit. A plan which reduces the public debt and at the same time puts private capital to work where heretofore Uncle Sam has had to carry the load seems likely to obtain at least the sympathetic study of the Secretary of the Treasury.

A multigraphed copy of the plan mentioned above purports to have been evolved and submitted by the Citizens Advisory Committee of some 130-odd members, appointed to help the Senate Banking and Currency Committee in its study of the Export-Import Bank and the World Bank under Senate Resolution 25 of early 1953. The proposal is referred to as the "private funding plan" and on its cover states that it was given the Advisory Committee's approval when it met in Washington last May¹, although this appears not to have happened. The plan, however, was put before the Citizens Advisory Committee, whose formal report to Sen. Capehart is being made this week as placed before the citizens' group of bankers, exporters and others, the plan had two parts. The first, which would call for new legislation, was to authorize the Export-Import Bank to sell its direct obligations on the American market. Since last summer's enactment of the Bank's revisions contains no reference to such selling authority, the first part of the plan may be regarded as dead, at least for the present.

The other part of the plan, for which no new legislation is necessary, would authorize the Bank to sell all or any part of its portfolio of loans accompanied by its unconditional guaranty, for use as

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¹ The multigraphed copy states that the plan was approved by a majority vote of members present at a Washington meeting of the group held May 20-21, 1954.

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Liberia—Haven and Heaven For Corporations

By IRA U. COBLEIGH
Enterprise Economist

A capsule comment on the current corporate commercial and investment climate in the only independent country on Africa's West Coast—Liberia.

The recent visit of Mr. William V. S. Tubman, President of Liberia, to our shores sets a topical background for today's brief excursion into economic geography. Matter of fact, not one person in five you ask could locate Liberia on a map, or name its capital. For example, I asked the elevator operator in my building what he knew about Liberia and he said it was the Chinese part of Siberia!

So to dispel whatever modicum of ignorance, if any, that may lurk among the erudite readers of this column, we'll start off by noting that Liberia was founded way back in 1822 as a haven of freedom for American slaves and became a republic in 1847. Descendants of American slaves there now number about 20,000 and from this group has come the leadership of the republic.

About the size of Ohio, Liberia is tropical in climate with thousands of square miles of untamed jungle and a total population of perhaps two million—for the most part untutored denizens of the dense and rain soaked forests. But Liberia boasts a political stability that would put to shame many far more advanced countries. Instead of engaging in cannon fed political poker games, with colonels or better to open (as has intermittently been perceptible South of the Rio Grande), in 107 years Liberia has had no revolution. She has resolutely (with an assist from Uncle Sam) maintained her independence in a section of the globe where colonialism (often with a side order of exploitation) has been standard operating procedure.

Commercial Advantages

As an attractive environ for commercial development, Liberia offers a combination of advantages seldom available when American dollars are deployed into overseas investment. First of all, the official language is English which makes unnecessary continuous translation of all orders, contracts, bills of lading, agreements, etc. Second, the currency is the American dollar and there are absolutely no foreign exchange regulations or restrictions on transfer of funds.

When it comes to corporate organization, Liberia is fantastically favorable. For example, a corporation can be formed swiftly with capital as low as \$500; and can be-

gin business within 48 hours after arrival of the charter in Liberia. Unlike many other nations, Liberia does not require shareholding by natives of the country. Anybody, of any nationality, can be a director or shareholder and the entire ownership and control can rest with aliens. This suggests an ideal medium for holding company status; and there is no legal requirement to disclose or even record in Liberia, the names of shareholders or principal owners. Fact is the corporate books don't have to be kept in Liberia at all and meetings can be held any place in the world.

Another thing, whereas there is a 25% corporation tax on earnings in Liberia, there is no tax whatever on corporate earnings gleaned outside Liberia, and no capital gains tax within. This little land is indeed a corporation lawyer's dream; and no country in the world surrounds corporate obstetrics with so little red tape.

You may perhaps have gained a notion that all this ease of attaining limited liability is of little moment because the country is in such an early stage of economic growth. Such notion would be erroneous as although major progress (by modern standards) has occurred only near the seacoast, the approaches, communications and transportation are of the best. The harbor at Monrovia (the capital) is excellent, and a port of call for Farrell Lines and Delta Lines. Pan American Airways and Air France provide speedy overseas service; while Liberian National Airways serves the interior.

A further word should be said about shipping, and that is the Liberian flag is just about the most popular shipping registry on the face of the globe. Only two other nations boast a larger-registered tonnage; and nearly 500,000 net tons was added to Liberian registry in the first half of this year—new construction, nearly all of it owned by American corporations.

But enough of this—if you'd wanted a travelogue Lowell Thomas should have written it for you—not I. So let's get back to my beat. What's in Liberia for the American investor? Plenty—some right now, and lots more in the future.

Investment Opportunities

The first vehicle that comes to mind is Firestone Tire and Rubber Co., which pioneered with a million acre concession back in 1926, brought in choice rubber trees from Sumatra and now has 25,000 employees in rubber plantations in Liberia. 1953 production was 40,000 tons. With the continuous threat of Communist disturbance hanging over Malaya

and Java, the political stability and dollar currency of Liberia look more attractive to rubber realists with each passing day—so much so that only last week B. F. Goodrich Co. announced it had arranged a 600,000 acre Liberian concession for immediate development.

Whereas it would be illogical to suggest investment in either Firestone or Goodrich solely because of the Liberian origin of raw material, Firestone shareholders benefit in a big way; and Goodrich may in the years to come. Firestone with 3,938,062 shares outstanding selling on N. Y. S. E. at 98 surely contains a certain element of Liberian lustre.

Next in our industrial tub thumping for Mr. Tubman's republic, we should say a word about Republic Steel, a major partner in the Liberian Mining Co., Ltd. This story book enterprise is the realized dream of a fascinating American entrepreneur, Lansdell K. Christie, who parlayed a string of scows in New York harbor into millions of dollars-worth of some of the richest iron ore in the world, in the Bomi Hills of Liberia. With Republic Steel financing, Liberian Mining Co. built a railway from the inland hills to Monrovia and has been shipping over 1½ million tons a year into Baltimore. This is big business, and Republic benefits handsomely by assuring itself of a long term supply (estimated at above 50 million tons) of rich iron ore.

Republic is the third largest steel corporation in America and its shares have been responding favorably to the upward look in the steel trade, and a yield, on indicated dividend rate, of about 7%. The relationship of Republic Steel with the Republic of Liberia is a plus for stockholders.

Another element of real interest to prospective investors is the International Trust Company of Liberia. This is a very special sort of banking enterprise and performs a number of unusual functions. It acts as statutory agent for corporations, registrar of vessels, hires legal counsel, acts as corporate trustee for security issues, carries demand deposits and places all types of insurance, except life. Its American correspondent is Liberian Services, Inc., 11 West 42nd St., New York City.

You can't buy stock in International Trust Company of Liberia but you can buy shares in International Bank, of Washington, D. C., which recently acquired a majority of the Trust Company stock. This International Bank is controlled by rather a distinguished group of men including Charles S. Payson, Julius Fleischmann and Henry Ford II. There are 151,785 shares of International Bank outstanding quoted currently around \$5 over the counter. Income from operations in 1954 was \$227,837, a 17% increase over 1952. This is a unique banking equity not devoid of growth potential.

Liberia has dozens of products besides rubber and ore to offer—palm oil, rice, cacao, coffee, plus diamonds, gold, and no doubt a host of minerals just waiting to be extracted. While present media for investment are few, here's a country that you'll hear more from—one that offers a lot more shelter to American capital than is presently provided in areas like Guatemala, Java, or the turbulent Near East.

Four With A. M. Kidder

(Special to THE FINANCIAL CHRONICLE)
BRADENTON, Fla.—Harry B. Barton, Otis A. Browning, Jr., Harry D. Neill and Thomas M. Sharp have become associated with A. M. Kidder & Co., 436 Twelfth Street, West.

Observations . . .

By A. WILFRED MAY

MARKET FORECASTING POST-ELECTION A Three-Horse Parlay

Most post-Election market comment, as is customary, is tied to the impact of that event's likely results on business. Such bullish influences as new assurances of pump-priming and other facets of government intervention, including the now sacrosanct "responsibility" for full employment and other components of the expanding economy; and on the bearish side (though somewhat played down after the post-Election market boom), the implied threats to capitalist confidence, as in corporate and individual taxation—are being cited by the commentators.

Mention of such factors to indicate the overall economic prospects is without doubt timely and valid. But the assumption of their connection with the future of the stock market is quite a different matter.

Business and the Market Incommunicado

In the first place, there is the chronic diversion between the course of business and the market. During the late New Era preceding the 1929 collapse, as this department showed in our celebration of its anniversary a fortnight ago, the market rise had no correlation with either industrial production or commodity prices.

The active bull market of 1935-1937 similarly had no foundation in the state of business, again finding its stimulation in credit inflation plus speculative psychology.

Again during the next decade, stock prices failed to move with commodity prices or corporate profits, either in the interval 1939-1946 or thereafter. In the four postwar years, in the face of a doubling of profits, share prices gained only 7%. In the single year 1946, while business was booming, stock prices actually fell by 22%. From 1946 to 1947 the per share earnings on the Dow Jones Average stocks rose by 40%, only to see their market prices fall 7%. Conversely, market prices have doubled since 1949, while the average of corporate profits have increased not at all.

And during the past 12 months industrial production has dropped 10% but the Dow Jones Industrial Average concurrently has risen by 39%.

Thus the forecaster must be correct not only in foretelling the external events, but also their effect on the stock market. Like the difficulty in horse racing of picking two winners to cash a parlayed bet, he must make a correct double forecast.

The Second Bet

Forecasting of the market on the basis of business expectations is also rendered difficult by the simple, though persistently unrealized fact, that in actual operation there is no such entity as "the market."

"The market," as pictured by the Dow Jones Industrial Average, has since that 1929 New Era peak-of-all-time shown a net decline from 386 to 371; but of the 30 component stocks, 17 are now selling higher than their former peaks, and 13 lower. The following table shows 10 D-J stocks which have risen, and 10 which have concurrently declined.

MARKET PRICES—1929 vs. 1954—of 20 Leading Stocks

Stocks Showing	1929		Nov. 8 1954		Stocks Showing	1929		Nov. 8 1954	
	High	Low	High	Low		High	Low	High	Low
Bethlehem Steel	46	87	46	87	American Smelting	54	40	54	40
Du Pont	57	145	57	145	Amer. Tel. and Tel.	310	173	310	173
General Motors	45	92	45	92	American Tobacco	116	59	116	59
National Steel	18	53	18	53	Corn Products	126	85	126	85
Sears Roebuck	45	75	45	75	General Foods	81	77	81	77
Standard Oil Calif.	37	72	37	72	Internat'l Harvester	47	36	47	36
Standard Oil N. J.	37	100	37	100	Internat'l Nickel	72	49	72	49
Texas Co.	36	83	36	83	Loew's	28	17	28	17
Union Carbide	46	79	46	79	U. S. Steel	87	60	87	60
United Aircraft	12	65	12	65	Woolworth	103	49	103	49

Contra-"Trend" Movements

Over the shorter terms, too, there has been similar divergence between the course of individual issues, as the following table shows.

	1950	1951	1952	1953	1954
Total issues rising	745	634	586	329	969
Total Unchanged	28	13	12	17	11
Total Declining	100	340	433	686	*65
Concurrent change in Standard & Poor's 90-stock average	+22%	+15%	+12%	-6%	+29%

*16 by 10% or more.

Thus "the market" forecasters try to win three bets. First they attempt to pick the winning answer to the future of business; then quite blandly translate this answer to the behavior of "the market"; and then must hope that they have picked the right stocks from that "market basket"—surely as difficult a feat as winning a three-race parlay at the track!

By eliminating the first two bets, and concentrating on the single one of picking individual issues—according to value criteria—the investor can crucially improve his chances for success.



A. Wilfred May

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The State of Trade and Industry

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Electric Output
Carloadings
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Commodity Price Index
Food Price Index
Auto Production
Business Failures

Total industrial production for the nation at large displayed moderate expansion in the period ended on Wednesday of last week as the manufacture of steel and automobiles gained and heavy construction boomed. The total industrial output was about 2% under the similar week a year ago, but this small yearly difference, it was understood was due more to declining output in 1953 than to currently improved production.

Indications of business optimism were noted in connection with the elections the past week. On Wednesday the New York stock market responded with the biggest gains in 15 years; three-quarters of the traded issues advanced. Extensive new construction of hospitals, schools, bridges and highways will be undertaken in coming months as a result of public support for new bond issues in many parts of the country.

The latest unemployment information revealed that in the week ended Oct. 16 continued claims for unemployment insurance benefits were 2% higher than in the prior week and 88% above a year ago. Initial claims in the week ended Oct. 23 were 7% higher than the previous week and 26% above the 1953 comparative. The United States Department of Labor announced that in the first nine months of the year the number of industrial strikes dropped to a new low since World War II. There were also fewer workers involved in work stoppage than in any comparable postwar period.

Upsurging steel production threatens to knock all predictions into the trash can, states "The Iron Age," national metalworking weekly, this week. Having spurred more than 26% in less than three months, the climbing steel output has already relegated many forecasts to the ash heap and there is still no sign that it has reached its peak.

The tightening sheet market is getting an extra turn from anxious consumers who are worried about future supplies. Anxiety of customers is reflected in a willingness to place first quarter orders — in some cases before actual requirements have been determined. If initial first quarter orders are a fair sample, cold-rolled sheets will be in very tight supply during January and February, and perhaps longer, this trade journal notes.

At some mills incoming order volume has been so heavy that clerks have become buried under a mountain of paper. This has caused mills to slow up in accepting orders, so that their old customers will have a chance to get on the books.

The bulk of the advance ordering this trade authority adds, seems to be coming from small- and middle-sized users who are afraid they will be crowded out by big consumers. Larger buyers are more confident they will be able to get what they need.

Another factor in the trend to forward buying is the desire of some customers to be on the order books of nearby mill suppliers. Midwestern consumers who are placing first quarter orders could get delivery from eastern mills in about half the time they have to wait for delivery from nearby mills.

It's not hard to tell what's putting the extra zip into the market, declares "The Iron Age." The auto industry is rapidly gearing up to record year-end production levels. If auto output can be held to schedules, the worry over sheet supplies will have been well founded. The auto industry usually consumes about half of all cold-rolled sheets produced.

Last week's domestic vehicle production spurted 36% above the previous week's 87,439 turnout as 12 car makers stepped up their programs. "Ward's Automotive Reports" estimated the week's output at 99,941 cars and 19,331 trucks compared to 68,649 and 18,790 a week earlier.

The upturn reflected daily overtime and Saturday work at Chrysler Corp. and Studebaker—both at their highest level of the year—plus post-changeover buildups at other Big Three plants. General Motors car assembly was up 36%, Chrysler 44% and Ford 161%, while independent output dipped slightly due to changeover at Hudson, Kaiser and Packard were also down.

Currently, more than 99% of car production is of 1953 vintage,

Continued on page 38

Money Management Problems—Prospects for the Interest Pattern

By J. BROOKE WILLIS*

Associate Professor of Banking,
Graduate School of Business, Columbia University

Weighing the problems of insurance company money managers, Dr. Willis maintains a policy of remaining fully invested while making forward commitments to deliver funds at current interest rates, affords protection against future decline in cost of money. Commenting on future of interest rates, expects that over long-term upward pressure will be tempered by increasing mobility of funds, increasing competition among lenders, popular bias, political pressures for easy money, and reliance on monetary management. Over coming months, on the other hand, he sees possibility of slight seasonal rise; with short-term rates fluctuating more than long-term rates.

First, I am going to discuss briefly a few of the basic considerations in life insurance company money management. I shall then theorize about the relationship of investment decisions to prospective changes in interest rates; and, finally, I shall discuss some of the more important forces affecting the level and structure of interest rates. In so doing I will necessarily deliver some observations on Federal Reserve and Treasury policy.



J. Brooke Willis

Money Management Criteria

Before I prepared for this meeting I held what appears to be a mistaken idea, namely, that in managing their portfolios life insurance companies, like other investors, pay attention to liquidity as well as to safety and yield. In the course of doing some homework I came across repeated statements by leading authorities to the effect that life insurance companies have virtually no need for liquidity. Indeed, it is said not only that they need no liquidity, but also that

- (1) they keep "fully invested" at all times;
- (2) they are not traders in securities; on the contrary, they are true long-term investors purchasing securities to hold for income; and
- (3) they do not withhold funds in anticipation of interest rate increases nor borrow or otherwise overcommit themselves in expectations of rate declines.

If these statements are taken literally, then I say "Why did you assign me this topic?" A layman like myself is led to the conclusion that insurance companies occupy an inactive role with respect to interest rates, passively taking what the market provides in the way of a long-term rate. Yet I know you are extremely interest-rate conscious; you talk a lot and are willing to listen to endless discussions about the future of interest rates. Is this nothing more than an indoor sport — a mere conversational game in money management?

To speak in a more serious vein, there are certain definite characteristics of your business which permit you to reduce idle cash and liquid assets to a very, very small figure, and there are other characteristics which require you to pay major attention to earning power consistent with the ultimate safety of your investments.

Liquid Assets

The reasons why you require virtually no liquid assets are: (1) that your companies experience

a persistent and continuous net cash inflow resulting from the excess of premiums and investment income over benefits and operating expenses, amounting annually to about \$6 billion; (2) that mortgage amortizations and bond maturities add to gross cash inflow and further obviate the necessity of liquidating portfolio investments to meet outpayments; and (3) that the timing of your future outpayments is predictable with considerable accuracy.

Income Requirements

The reasons why you must emphasize safety are self-evident, being based upon the trustee character of your industry. I shall not discourse on this aspect. The importance of income relates to the following characteristics of your business: (1) the level premium plan and the accumulation of legal reserves predicated on a rate of interest to be earned; (2) the need to cover costs of operation and to provide reasonable protection against possible adversities such as investment losses, a rise in operating expenses, or in mortality costs; and (3) the turnover of your investments which in periods of declining rates of interest impairs your ability to maintain earnings.

The result is that your business is sensitive to fluctuations in the long-term rate of interest. You can not readily adjust yourselves to these fluctuations by changes in the rate guaranteed on legal reserves. Adjustments in this rate affect only new policies, the amount of which is small in rela-

tion to business already in force. Moreover, since surplus accumulations are limited by law and since net earnings are largely returned to policyholders or stockholders, fluctuations in the rate earned on invested assets are translated quickly into the cost which you charge the buyer. Not only does this affect the cost of insurance to the public but it also has an immediate bearing upon the competitive status of the companies and places them under constant pressure to improve earnings.

Relationship of Income to Liquidity

The problem of maximizing income is related to the subject of liquidity. Your liabilities may not require the protection of more than a small amount of cash and liquid assets yet it seems to me that you do actually possess and need liquidity of a different sort. The need for liquidity does not arise from external demands of your policyholders but from internal considerations having to do with the management of your portfolio. Winn has said "the primary liquidity requirements have arisen from the desire to shift the portfolio from one area of investment to another. This shift has frequently been made in order to obtain investments which, at that moment, appear to provide the best solution of the investment problem." These liquidity requirements arise "in an internal sense, in that investment opportunities are continually changing and the changes occur at irregular intervals. Consequently, the demand for liquidity arises from the desire to remain fully invested, yet at the same time to have the ability to shift the composition of the portfolio at any time without incurring a loss on securities sold." (Italics supplied. Source: Willis J. Winn, "Government Securities" in *Investment of Life Insurance Funds*, edited by David McCahan, University of Pennsylvania Press, 1953, pp. 90 and 97.)

You may remain fully invested in the sense that your idle cash and liquid assets are a negligible amount, yet you can and apparently do shift funds from one investment area to another when differentials in yields make this appear desirable. You may say

Continued on page 30

We are pleased to announce the election of

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*An address by Professor Willis before the Third Biennial Insurance Institute, Lincoln, Nebraska.

Progress and Problems of New York Savings Banks

By WALTER J. HESS*

President, Ridgewood Savings Bank
Retiring President, Savings Banks Association of New York State

Mr. Hess, in his capacity as President of the Savings Banks Association of New York State, reviews the progress of savings banks during the past year. Urges support of the state-wide promotional campaign inaugurated by the savings banks, and discusses the savings bank branch problem. Decries opposition of commercial banks to extension of savings bank branches in suburban areas, and pleads for unhampered efforts of mutual savings banks to serve the thrift needs of the people.

It is my privilege to welcome you to the 61st Annual Meeting of our Association. Approximately one year ago, on board the SS. "Nieuw Amsterdam," I thanked you for having elected me your President. As I remember it, the ship started to rock just shortly before I was elected, and sometimes, it has seemed to me, that the ship has been rocking ever since.



Walter J. Hess

I would like to read to you the next sentence, as it appeared in the original draft of this Report. It stated, and I quote, "Now, as I prepare to return to snug harbor, may I again express my appreciation."—I love that expression snug harbor. It seemed so appropriate at the time.

But times change. And on Oct. 7, the newspapers of our State headlined the news of the attempted robbery of a Savings Bank, which Savings Bank shall be nameless. It was only last week that they finally repaired a remote portion of my snug harbor, by removing the bullet holes from the ceiling.

Therefore, with your permission, I will revise the wording. Presently, it reads: "Now as I prepare to return to the employ of those who have hired me, may I again express my appreciation." The office of President has been a wonderful experience. It will be a wonderful memory.

Our Association owes a special debt of gratitude to its many committees and to its Council of Administration. All have labored diligently and effectively in the common cause. On my part, I must reserve a special word of thanks for the members of our efficient and loyal staff.

There is so much to this business of Savings Banking, that one can only hope to scratch the surface within the confines of a single report. Let me just touch

*Presidential address of Mr. Hess at the 61st Annual Meeting of the Savings Banks Association of New York State, White Sulphur Springs, West Virginia, Nov. 3, 1954.

on a few of the subjects which merit your attention.

School Savings is no longer an exclusive privilege of the savings banks of our State. This very basic activity merits the support of every savings banker. Here we have an opportunity to teach the habit of thrift. It is a real opportunity.

A new top level committee has been appointed to encourage the promotion of a School Savings Program. This committee is doing an excellent job and I bespeak your cooperation.

Savings Bank Life Insurance has been making rapid progress. There are now 42 issuing banks and 25 agency banks. Insurance in force now exceeds \$250,000,000 and recently it has been gaining at the rate of \$20,000,000 per year. It is my sincere belief that Savings Bank Life Insurance is the most important challenge to the savings bankers of this generation. The initial growth of our savings banks was a slow process. It required patience and fortitude that these great institutions be built slowly, safely and securely. Our generation must show the same patience and fortitude in building Savings Bank Life Insurance. It is something that this generation has created. It is real thrift and thrift is our business.

Incidentally, may I make an observation on a totally different subject. During the past year I was invited to address the Insurance Forum at its meeting in Utica, New York. The members of the Insurance Forum are the people on our staffs who handle the fire insurance on all of our mortgages, our surety bonds, the bonding of mortgage servicing contractors, and the insurance of bank premises.

At this meeting, in Utica, I got there early and listened to most of the program. Frankly, I was amazed at the complexity of the problems and the ability with which these problems were discussed and solved. I was further amazed that very few members of the Forum were either junior officers, or administrative assistants. Apparently, they only attract attention when they make mistakes and they rarely make mistakes.

In these days, we hear much about job evaluation. I respectfully suggest that you review the work that your insurance repre-

sentative is doing in your bank. Maybe the time has come to do some re-evaluating.

Once again I plead with you to support your Statewide Promotional Campaign. There have been substantial differences of opinion as to means and methods by which the desired result can be accomplished, but an able and industrious committee is continuing its efforts to resolve these conflicting points of view. It is reasonably expected that an acceptable solution will be offered to you. In the meantime, please join with us. On every hand, we hear of our competitors increasing their joint promotional activities. Surely, this is not the time to decrease our efforts. We must meet this challenge.

The Savings Bank Branch Problem

For four long years, you have heard me discuss the savings bank branch problem. I would, therefore, be completely out of character if, in my final message, I did not again comment on this important subject.

To date, savings bankers have discussed the branch problem from the broad perspective of public policy and public benefit. They have scrupulously avoided unseemly quarrels which might react to the detriment of the entire banking fraternity. Our opponents, however, have observed no such restraints. Their attacks have been both immoderate and inaccurate.

At the recent session of the Legislature, the opposition submitted a so-called brief. I ask that you read it. It is both hysterical in its approach to the problem and untruthful in many of its purported statements of fact.

We have made every effort to keep these discussions on a high plane, but we cannot forever turn the other cheek. The time has come to answer.

While our opponents accuse us of being the recipients of special privilege, basically their attack is directed against the entire philosophy of mutual savings banking. They object to the mutual theory. They object to any concept by which a thrift institution is operated solely for the benefit of its depositors. Our bolder adversaries refer to us as that socialized system of banking.

Aside from its glaring inaccuracy, the trouble with their argument is that it comes more than 100 years too late. The first savings bank in this State was organized in 1819. Savings banking so conceived was designed to fulfill an essential public need, namely, the preservation and the protection of the funds of those of modest means. That concept has received unparalleled public acceptance. Although individual savings banks in this State are substantially outnumbered by both commercial banks and by savings and loan associations, nevertheless, it is the savings banks which have over two-thirds of all thrift deposits. The astonishing public preference, which these figures demonstrate, clearly establishes that Savings Banks have performed their assigned task faithfully and well. With such a record of performance, and with a history of over a century of stability and security, it ill behooves anyone to condemn the fundamental philosophy which authorized the creation of mutual savings banks.

As savings bankers, we are aggressively in favor of the theory of private enterprise. We see nothing inconsistent with the mutual theory, as applied to thrift and the private enterprise theory. The fact that the mutual savings bank is designed for the benefit of many, instead of the benefit of few, creates no inconsistency.

In the thrift field, the mutual theory has become preeminent. I refer to the large mutual life insurance companies, the savings

and loan associations and the mutual pension funds. Do our opponents propose that we now abandon all of these? Do they propose that the savings of the people be entrusted only to those who must profit by the transaction? Is the demonstrated will of the people completely to be disregarded?

The leadership of savings banks in their sphere is built on a solid foundation. Recognition of this fact can be demonstrated out of the mouths of those who oppose us. In 1952, the New York State Bankers' Association published a Booklet entitled "A Study of Savings and Savings Facilities in New York State." Here is a quotation from page eight of that booklet:

"The second point is that the major change in the relative positions of savings banks and commercial banks came during the period 1930 to 1935. Savings banks were the only type of institution to experience an increase in deposits during those crisis years. While the savings and loan associations lost nearly 35% of their assets, State banks 35% of their time deposits and national banks 40%, the deposits of savings banks increased by 8%. These changes brought the percentage of total savings held by savings banks from 61.2 to 73.1, while those held by commercial banks decreased from 33.7 to 23.3."

I emphasize that the period to which the quotation refers was the crisis period, from 1930 to 1935—the bottom of the depression. Then the issue uppermost in the minds of the public was not dividend rate, or yield. The sole issue was safety and security. In this time of crisis, the public turned to their savings banks and their savings banks did not fail them.

The Movement to the Suburbs

Now, the savings banks face a crisis. People in our cities and villages are moving to the suburbs. In the last census period, the population of the suburban areas in our State increased by more than 1,000,000 persons. And that trend to the suburbs is accelerating. Yet, savings banks are the only substantial type of financial institution which are prohibited, by law, from having suburban branches. Commercial banks can and do have suburban branches. Savings and loan associations can and do have suburban branches. Only savings banks are so restricted.

Is this the penalty for a job well done? Is this the reward for those who have deservedly won and retained public confidence? Or, is opposition to our reasonable expansion prompted by those who jealousy resent our preeminence in the field of thrift?

Our opponents have bombarded the Legislature with pathetic pleas, on behalf of the small independent commercial banks. They argue that the issue is independent bank survival and that savings bank expansion to the suburbs will sound the deathknell of the community bank.

But, I respectfully ask the

Legislature to examine into the banking facilities of these new suburban communities, which were vacant fields just 10 years ago. It will then be discovered that these areas are being served by many branches of large chain commercial banks and not by small independent banks. It will then be discovered that many small independent banks have found it advisable to merge with their larger competitors. For example, Nassau County has had a population increase of 145% since 1940. Yet, the number of independent banks in Nassau County has declined 33% since 1940, while the number of branches has increased 800%.

At the other end of our State, the suburban portion of Erie County has had a large population increase. Since 1940, however, the number of independent commercial banks in that county, excluding the City of Buffalo, has declined by one-third, while the number of commercial bank branches has increased by more than 500%. It is apparent that, in spite of tremendous suburban growth, there are fewer—much fewer—community banks today than there were in the past decade.

And none of this can be blamed on savings banks, because it has taken place in communities which are out of bounds for savings banks.

The conclusion is obvious. Our real opponents in this controversy are the large chain commercial banks, with suburban branches. They already have 237 out-of-town branches. We have none. They seek to deny to us even a small portion of the privileges they themselves enjoy. Having entrenched themselves in these communities, they now endeavor to protect their monopoly by preventing the public from having reasonable access to their savings banks. These are the people who use the small independent commercial bank as a smoke screen.

The Superintendent of Banks has said:

"Where a community can afford only one type of banking, there is not the slightest doubt that the one type should be a commercial bank. The Banking Department would not waste much time over any savings facility branch application which gave rise to any real doubts on that score."

This position has our unqualified endorsement. Innocently, I wonder whether the large chain banks are willing to give similar assurances to their smaller counterparts. I doubt it. They have found it so convenient to hide behind this false issue of independent bank survival.

Another of the accusations which they hurl at us is that we have special privileges, in that we do not pay our fair share of taxes. Alright, let's take a good look at it is accusation. There has always been a serious question as to whether or not mutual savings banks should pay any income tax. Because we are mutual, all of our earnings are for the benefit of our depositors. As individuals, the

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depositors pay a tax on the interest dividend they receive. In simple justice, should the savings bank also be subject to an income tax, which, in fact, is a double tax on depositors?

But the Congress of the United States has spoken and since 1902, mutual savings banks have been subject to income tax, at the same rate as commercial banks. We have no paid-in capital, and therefore, Congress has wisely provided that we be permitted to accumulate reserves of 12% before being subject to tax. Whether this reserve is too large, or too small, can best be judged by the fact that the Banking Department of the State of New York recommended a higher percentage reserve to Congress.

It is this reserve feature which arouses the criticism of some commercial banks. Their attitude is unfortunate. This reserve is intended for the protection of the millions of depositors whom we serve. It has no other purpose. Many savings banks have such reserves in excess of the 12% limitation and, therefore, pay a full income tax. Do our opponents contend that a reasonable emergency reserve should not be held for the benefit of our depositors? Do they seriously oppose such a safety feature?

There has been so much loose talk on this issue that some might get the mistaken impression that some banks pay income tax on the interest paid to depositors. Please make no mistake about this. Neither a commercial bank, nor a savings bank pays any income tax on the amounts which depositors receive.

In the public interest, savings banks must insist that they be given a reasonable privilege to extend their service to the suburban area of our State. There can be no retreat from this position. Can anyone reasonably explain to the people of this State why commercial banks and savings and loan associations are entitled to out-of-town branches, while savings banks are denied this privilege? Merely to state this proposition is to show its absurdity.

Serving the Thrift Needs

But, there are two sides to the coin. While we must insist on equality of opportunity to serve the thrift needs of our State, we must be ever cognizant of the rights and privileges of others. Our opponents have asked the question, "If savings banks get these branch privileges, what next will they seek?" It is a fair question. Let's attempt to answer it.

Savings banks were created to serve the thrift needs of our people. In view of their excellent performance of this assigned task, it is in the public interest that every right, every privilege, every power which will enable savings banks to perform the function of thrift safely and securely should be given to them. Of course, all types of financial institutions should be protected against ruinous competition. But such protection should not be permitted to create a monopoly in the suburban areas of our State. Surely, savings banks are entitled to equality of opportunity to serve the public. Or, to restate the proposition, the public is entitled to freedom of choice in selecting the type of financial institution to which it will entrust its savings.

But a firm insistence on our inherent rights, necessarily implies that we will be equally firm in supporting and defending the rights of others. Savings banks were not created to render a commercial banking service. And savings banks should not seek to infringe upon the functions of the commercial banks. Part of this unfortunate strife has been due to the threat of a gradual overlapping of functions. Specifically, I have little patience with those who urge that savings banks seek

the power to make personal loans or to establish check accounts. I respectfully recommend to you that this process be reversed; that sincere efforts be made to re-establish clear lines of demarcation and that when these boundaries have been defined, that they be zealously guarded and protected.

I also propose that if there have been transgressions on either side, or on both sides, that there be a generous willingness to re-examine, re-appraise, and, if necessary, correct. Financial institutions continue to have a great opportunity in the Empire State, which is the financial capital of the world. That opportunity can be met and the public will be better served, if we give equal recognition to our duties and our obligations, as well as to our rights and our privileges.

Three With Security Assoc.

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, Fla.—Douglas M. Deringer, Marshall E. Johns, Jr. and Dorr S. Transue have become associated with Security Associates, Inc., 137-139 East New England Avenue, members of the Philadelphia-Baltimore and Midwest Stock Exchanges. Mr. Deringer was formerly with A. M. Kidder & Co.

Spiritual Weapons Key to Cold War Victory

Dr. Robert W. Youngs, of the Hitchcock Memorial Church, Scarsdale, New York, tells savings bankers it is the spiritual battleground that can afford a decisive outcome against the onslaught of communism.

Dr. Robert W. Youngs of the Hitchcock Memorial Church, Scarsdale, New York, in addressing the sixty-first Annual Meeting of the Savings Banks Association of New York State at White Sulphur Springs, W. Va., on Nov. 5, warned that the cold war can continue indefinitely, unless it is met by a spiritual revival.

"Europeans generally and Russians particularly are thinking of the cold war in terms of a decade, a generation, two generations, when the children will have grown up," Dr. Youngs remarked, "while we on the other hand think of the cold war in terms of two or three years at most. We Americans with all our efficiency and despatch need to readjust our schedules to fit the complicated problems which cannot be solved in less than a generation and perhaps not in this century.

"Thus while we are winning battles today, Russia is training a generation of youth who may eventually win the cold war. Our progress in the cold war, inch by inch, week by week, battle by

battle, is not enough to counteract Russia's lying, propagandizing, undermining, and coercing. We must do differently in some respects and more than we have been doing in other respects on the battlegrounds of the cold, cold war."

In answering the question, "What else is there?" Dr. Youngs said: "I believe that something is the spiritual factor. Being lovers of freedom, we cannot win the cold war by out-regimenting the Communists. Being lovers of truth we cannot out-propagandize them. Being lovers of peace we cannot start a hot war with them. We would probably win a hot war, but it would leave us in a worse state than we are today with a \$900 billion debt, with 80 million refugees to be cared for; with not just Germany and Japan to occupy and rehabilitate, but also all of Eastern Europe and Asia; with more Truman Plans and Marshall Plans to restore the more depleted economies of our allies; with the misery, the hunger, the depravity, the immorality and

corruption which characterize every postwar period. We cannot win a cold war by fighting a hot war.

"There is only one battleground where we can win what will be a decisive battle in the cold, cold war. That is the battleground of the Spirit, where the armor is the whole armor of God—the girdle of truth, the breastplate of righteousness, the shield of faith, the helmet of salvation, and the sword of the spirit. These are the only weapons which Communism cannot match or surpass. 'Oh, some of you will say, 'now we have the preacher talking.' Well, if you have, then you might as well like it, for almost every intellectual, every statesman, every scientist, and every man of affairs today is a preacher.

"Much the same conclusions have been expressed recently by President Eisenhower, Chief Justice Warren, Arnold Toynbee, and Life Magazine, among others—not clergymen, but men who grasp the issues," Dr. Youngs pointed out.

Dr. Youngs was one of a group of 30 outstanding men in various fields selected by the National Conference of Christians and Jews to make an extensive tour through Europe to observe conditions there and has just recently returned to this country.

SAVINGS BANKS TRUST COMPANY

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Organized and wholly owned by the Mutual Savings Banks of New York State, SAVINGS BANKS TRUST COMPANY is the savings banks' bank, serving them exclusively as depository, correspondent, investment consultant and trustee; also as a research body and clearing house for information on matters of interest to the Savings Banks Association and its members.

STATEMENT OF CONDITION

As of September 30, 1954

(In Thousands Only)

ASSETS		LIABILITIES	
Due from Federal Reserve Bank and Other Banks	\$ 26,187	Due to Savings Banks	\$334,328
United States Government Obligations	304,790	Deposits in Payment of Treasury Subscriptions	1,550
United States Government Obligations rec'd in payment for Capital Debentures	19,760	United States Government Deposits	2,410
		New York State Deposits	200
		Other Deposits	7,160
Total Cash and Government Obligations	\$350,737	TOTAL DEPOSITS	\$345,648
State Bonds	5,361	Reserve for Taxes and Expenses	327
Housing Authority Bonds Under United States Housing Acts	27,999	Accrued Interest and Accounts Payable	167
New York State Thruway Authority Bonds	1,900	Capital Stock	2,500
Bonds and Mortgages received in payment for Capital Debentures	1,041	Capital Debentures due June 30, 1958	21,373
Accrued Interest and Accounts Receivable	2,712	Surplus Fund	2,500
		Undivided Profits	14,484
TOTAL ASSETS	\$389,750	Bond Reserve Account	2,751
		TOTAL LIABILITIES	\$389,750

Of the above assets on September 30, 1954, \$11,515,000 were pledged to secure deposits of public monies and for other purposes required by law.

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- | | | | |
|---|--|--|---|
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Dealer - Broker Investment Recommendations & Literature

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

Atomic Map and Glossary—Literature—Atomic Development Securities Company, 1033 Thirtieth Street, N. W., Washington 7, D. C.

Chemical Fertilizer Industry—Analysis in "Monthly Stock Digest"—Nomura Securities Co., Ltd., 1-chome, Nihonbashi-Tori, Chuo-ku, Tokyo, Japan.

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

Japanese Electric Power Stocks—Discussion in "Weekly Stock Bulletin"—The Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

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, N. Y.

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

Tax Savings from Dividend Credits and Capital Losses—Booklet including tax exchange tables—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Twenty Stocks for 1954—Recapitulation of results at end of 10 months—Amott, Baker & Co. Incorporated, 150 Broadway, New York 38, N. Y. Also available is the current issue of the Amott Baker Real Estate Bond & Stock Averages.

* * *

ABC-Paramount Theatres—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available are memoranda on Colgate Palmolive Co. and Shell Oil Co.

Automatic Firing Corporation—Report—White & Company, Mississippi Valley Building, St. Louis 1, Mo.

Aztec Oil & Gas—Data—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y. Also available is an analysis of Rochester Telephone.

Borg-Warner—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available are memoranda on Lehman Corp. and F. C. Russell Co.

Certain-teed Products Corporation—Analysis—Filor, Bullard & Smyth, 39 Broadway, New York 6, N. Y.

Chemical Corn Exchange Bank of New York—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Cone Mills Corp.—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Continental Assurance Co.—Memorandum—William Blair & Co., 135 South La Salle Street, Chicago 3, Ill.

Detroit Hardware Manufacturing—Analysis—General Investing Corp., 80 Wall Street, New York 5, N. Y.

Federal Paper Board Company—Report—First California Company, Incorporated, 300 Montgomery Street, San Francisco 20, Calif.

Filtrol Corporation—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y. Also available is an analysis of Baltimore & Ohio Railroad Co.

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

Lehigh Coal and Navigation Company—Analysis—Seligman, Lubetkin & Company, 30 Pine Street, New York 5, N. Y.

Missouri Pacific Railroad System—Bulletin (No. 180)—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

National Gypsum—Circular—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

New Jersey Zinc Co.—Analysis—Jacques Coe & Co., 39 Broadway, New York 6, N. Y.

Nopco Chemical—Analysis—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Olin Mathieson Chemical Corp.—Bulletin—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a survey of Boston Edison, Cannon Mills, International Harvester, May Department Stores, Otis Elevator and Pullman Inc.

Pacific International Telephone Co.—Memorandum—Brush, Slocumb & Co., 1 Montgomery Street, San Francisco 4, Calif.

Package Machinery Company—Card memorandum—May & Gannon, Incorporated, 161 Devonshire Street, Boston 10, Mass.

Plough, Inc.—Analytical brochure—Clark, Landstreet & Kirkpatrick, Inc., 315 Fourth Avenue, North, Nashville 3, Tenn.

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

Radio Corp.—Brief analysis—Steiner, Rouse & Company, 19 Rector Street, New York 6, N. Y. In the same bulletin are brief analyses of Motorola and Sylvania.

Riverside Cement—Analysis—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Reynolds Spring Co.—Data—Oppenheimer, Vanden Broeck & Co., 40 Exchange Place, New York 5, N. Y. Also available are data on Royal Dutch Co., Hudson Bay Mining & Smelting Co., Ltd., and American Radiator & Standard Sanitary Corp.

Stanley Aviation Corporation—Analysis—Schirmer, Atherton & Co., 50 Congress Street, Boston 3, Mass.

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

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

Tide Water Associated Oil—Data—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are data on Bethlehem Steel and Beatrice Foods.

Tucson Gas, Electric Light & Power—Analysis—Walston & Co., 120 Broadway, New York 5, N. Y.

Zonolite Company—Analysis—Richard M. Cantor, 71 Broadway, New York 6, N. Y.

N.Y. Hanseatic Corp. Opens Coast Office

New York Hanseatic Corporation announces that Benjamin R. Brindley has become associated with the firm as West Coast representative, with headquarters at 110 Sutter Street, San Francisco. The office will maintain a direct private wire to the organization's main office in New York. Mr. Brindley was formerly an officer of Blair, Rollins & Co., Incorporated.

Purcell E. Hall has also joined the new San Francisco office.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Angelo F. Giuggio is now with King Merritt & Company, Inc., 1151 South Broadway.

Joins Wagenseller Durst

(Special to THE FINANCIAL CHRONICLE)

REDLANDS, Calif.—William L. Kiley has joined the staff of Wagenseller & Durst, Inc., Fisher Block.

Walston Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Joseph F. Writer is now with Walston & Co., 550 South Spring Street.

With Stephenson Leydecker

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—Lester M. Grant has rejoined Stephenson, Leydecker & Co., 1404 Franklin Street. He has recently been with Hooker & Fay and was an officer of the First Oakland Corporation.

Joins La Montagne Co.

(Special to THE FINANCIAL CHRONICLE)

PALO ALTO, Calif.—Clemens R. Mong, Jr. has become affiliated with La Montagne-Sherwood & Co., 418 Waverley Street.

With W. C. Birkenmayer

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John H. Weber has become connected with W. C. Birkenmayer & Co. U. S. National Bank Building.

David Omiya Opens

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—David S. Omiya is engaging in a securities business from offices at 1853 Welton Street.

Two With J. R. Williston

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Walter J. Desser and Martin Gruber are now with J. R. Williston & Co., 631 Seventy-first Street.

NSTA



Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

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

Team:	Points
1. Barker, Brown, Corby, Weseman, Whiting, Fitzpatrick	24½
2. Leone, Nieman, O'Mara, Forbes, Greenberg, Gannon	24
3. Bean, Meyer, Bies, Pollack, Leinhardt, Weiler	23
4. Donadio, Hunter, Fredericks, Demaye, Saijas, Kelly	23
5. Growney, Alexander, Eeiger, Valentine, Burian, Craig	22
6. Meyer, Murphy, Frankel, Swenson, Dawson-Smith, Kuehner	21
7. Mewing, Define, Gavin, Montanye, Bradley, Huff	20½
8. Kaiser, Hunt, Werkmeister, Kullman, McGovan, O'Connor	20
9. Manson, Jacobs, Siegel, Topol, Frankel, Tisch	19
10. Krisam, Clemence, Gronick, Stevenson, Weissman, Reid	16½
11. Serlen, Rogers, Grumholz, Wechsler, Gersten, Gold	15½
12. Klein, Rappa, Farrell, Cocolli, Straus, Cohen	11

200 Point Club—Jack Barker: 210.

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Economists Predict Moderate Business Upturn

By GEORGE CLINE SMITH*
Economist, F. W. Dodge Corporation

Mr. Smith presents a summary of opinions expressed by 186 top economists polled by F. W. Dodge Corporation, along with comments on specific questions relating to the business outlook

Moderate improvement in business activity is the consensus of reports by 186 of the nation's top economists polled by F. W. Dodge Corporation in its annual opinion survey of the 1954-55 outlook. More than three-fourths of the economists replying expect total activity measured by gross national product, to be higher than the current rate in each quarter of 1955; and in general they expect the trend during 1955 to show a steady rise until the end of the year.



Dr. George C. Smith

However, the prevailing opinion is moderate, with the median forecast for the end of 1955 showing only a 2% increase over the level prevailing in the second quarter of 1954, and slightly below the average for 1953, the highest year on record. This forecast could be interpreted as meaning virtual stability, since the rise indicated is so slight; yet an underlying element of strength appears in the fact that three out of four economists do expect a steady, if gradual, increase. (It should be noted that in last year's poll, the majority predicted a mild decline in 1954, which was borne out by events.)

Consistent with this view of gradual increase in total output, the majority also indicate a small rise in the Federal Reserve Board's index of industrial production and in consumer spending. These forecasts also mark a reversal of the expectations recorded in last year's poll.

The economists participating in the survey include 37 in financial organizations and insurance companies, 57 from other business firms, 46 from colleges and universities, and seven from government; the remaining 39 are consultants or members of research organizations.

Two non-economic factors occupied a position of some importance in the basic assumptions underlying the forecasts, according to comments made by many of the respondents. These two factors were the international situation and the political situation.

So far as could be determined from the comments, none of the group assumed that all-out war was in prospect, or that defense expenditures would be greatly increased or decreased during the coming year. Many comments, however, referred to the possibility of changes in defense outlays.

Several comments called attention to the possible effects of the November election. It is impossible to draw any conclusions as to prevailing opinion from these comments, but they do serve to indicate that many respondents considered the political situation as one of the "unknowns" involved in current economic forecasting.

*Editors Note: Mr. Smith desires to make it clear that his paper is a summary of opinions expressed by the economists polled and is not a forecast by the F. W. Dodge Corporation. Such a forecast will be issued at a later date.

General Comments

Comments on specific questions are included with the discussion of those questions below. A large number of respondents commented on the business outlook in general, and the following quotations are typical of the range of views expressed:

"Present indications are that economic activity will be on the rise next year but at a rate below normal. This indicates an increasing portion of our productive capacity may be idle, and therefore, business and government must accept special responsibility for bringing about more rapid expansion of market activity. For business this means stepped up efforts to secure larger markets. For government it means tax reduction to stimulate production and consumption."

"Real question is not whether decline is over, but whether expansion will occur rapidly enough to avoid growth in unemployment. G. N. P. ought to rise by \$15 billion per year to achieve this. If so, where is the upward push to come from?"

"I feel that the readjustment to more closely approximating peacetime will continue. This means substantial changes in many individual industries but relatively little change in aggregates."

"Expect at least 18 months of reasonable stability."

"Balance of 1954 and 1955 should continue to enjoy the price stability that has prevailed since January, 1951. Growth in the output of the economy should be resumed, and unemployment should drop below 3,000,000."

"I look for a period of comparative economic stability, again assuming a 'warful' peace. Even a divided Congress, which appears likely, will not act too quickly to reverse the economic atmosphere established by the Administration in the last two years. . . . Monetary and banking policy will continue the key factor in sustaining plant expenditures and the economy."

"I think the efforts to bolster the economy by the type of inflation that has been used within the last year are producing an appearance of business revival without deep-seated improvement. Much will depend on the continuation of inflationary policies or their abandonment. . . . It is my opinion that military expenses or inflationary practices cannot for any considerable time continue to stimulate the civilian side of the economy."

"The overpowering force is that of politics and its ramifications, including the ever-present threat of involvement in a major war. All this is, I feel quite outside the province of economics. But with this as a modifying background, it appears that we shall have more or less continuous inflation."

"In my opinion 1955 will be a year of sustained, but not greatly improving, economic activity. Activities (in the absence of war) will continue to be sustained by government spending at all levels, a high level of consumption, and reasonable strength in the construction industries."

"As I see it, most business trends will be gradually upward but not in striking amounts for the remainder of 1954 and for 1955. This will be due to these factors predominantly:

- "(1) Minor tax reductions.

- "(2) Slightly lower savings rate (personal).

- "(3) Inventories are fairly well worked off.

- "(4) Some wage increases.

- "(5) Small increases in military orders.

- "(6) Continued population growth at rapid rate.

- "(7) New household formations at about 850,000-900,000."

Details of Replies

The economists surveyed were asked to present specific forecasts for the remainder of 1954 and for 1955 for 11 major economic indicators. A total of 186 economists replied, but a few omitted replies to parts of some questions. However, the minimum number of replies to any part of any question was 168 (on new housing starts for the first half of 1955); replies ranged up to a maximum of 183 on three questions.

I

Gross National Product

Total output of goods and services is expected by a majority of the economists to rise steadily, but not greatly, through the remainder of 1954 and all of 1955. The median estimate for the full year 1954 is \$356.1 billion; the median estimate for 1955 is \$361.4

billion, an increase of a little over 1% in 1955 over 1954. While this indicates an expectation of virtual stability, it is interesting to note that the tone is optimistic, since the median quarterly forecasts expect a steady increase from the low point in the first quarter of 1954 (annual rate \$355.8 billion) through the fourth quarter of 1955 (annual rate \$363.2 billion), an increase of about 2%.

COMMENTS: "Country larger but will operate at a little lower percent of capacity." . . . "These observations reflect basic growth factors in the economy as offsets to competitive elements which might otherwise produce a moderate decline in business." . . . "The potential continues to be enormous."

II

Cost of Living

The median expectation of the economists responding is that prices as measured by the BLS consumer price index will remain steady throughout 1955. The median forecast for the end of 1955 is 115.2 on the index, exactly where it stood in July of 1954. It should be pointed out that relatively few economists individually predicted such exact stability; the majority forecast a rise or fall of one-half or one

point in the index, with approximately equal numbers on both sides. This range is so small that it amounts virtually to stability; and 128 of the economists felt that at the end of 1955 the index would be between 114 and 116 inclusive, a rise or fall of about 1%.

COMMENTS: "Balance of 1954 and 1955 should continue to enjoy the price stability that has prevailed since January, 1951." . . . "Prices are likely to remain fairly stable." . . . "Relative stability in prices is expected."

III

Wholesale Prices

The picture with respect to wholesale prices is similar to that for consumer prices. The median expectation of the economists' panel is that in December of next year the BLS wholesale price index will stand at 110.3, very close to the average level so far in 1954. Again those expecting slight increases or declines were about equally balanced. A total of 99 predicted that the index at the end of next year would be between 109 and 111, inclusive, a range of about 1% above or below

Continued on page 33

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Bache & Co. National Securities & Research Corp.
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No Change in Administration's Policy As a Result of Election

By HERBERT BROWNELL, Jr.*
Attorney General of the United States

President's cabinet member, referring to the recent election results, asserts policies of the Eisenhower government will not be changed as result of the election returns. Says aim of domestic policy is to complete transition from a wartime to a peacetime economy. Concludes, "this government will continue to be liberal."

I think I can say to you today, although the election returns aren't complete, and they tell me that there are going to be a few recounts, that as far as the policies of the Eisenhower government are concerned, there will be no letup or change as a result of this election.

The President has two goals in which I am sure you wholeheartedly agree: one has to do with foreign policy, and that is that we shall have a regard primarily to the interests of the United States of America in our dealings with other countries. It is very easy to negotiate with the other fellow and give him everything he wants and come out friends with him—that has been tried—but the ultimate result of that is that you don't have any friends really when you end up.

The policy of the present Administration has been to negotiate firmly, not only with our enemies, but also with our friends, to point out very succinctly what the needs and aspirations of this country may be.

I personally think—I hope I am not interjecting a partisan note—that that policy has proved to be very successful because we now have in Europe a coalition against communism which is perhaps more effective and strong than at any time in the postwar years.

That means a great deal to this country because, as you know only too well, twice during your lifetime we have had to go to war because Europe has not been able to settle its own problems, and

*From an address by Attorney General Brownell before the American Hotel Association Convention, New York City, Nov. 4, 1954.



Herbert Brownell, Jr.

has been divided and weak and aggressors have been able to destroy their system.

It appears now that as a result of long, painstaking work, that era is over, and our friends among the other free countries of the world have realized that the big danger in the world today, is communist aggression, and just for self-interest, if for no other reason, it is important that they bind themselves together to see to it that this aggression does not succeed.

I believe it is true, as the President has stated, and as the Secretary of State has stated, that at the present time the chances of maintaining peace are greater than they have been for a long time.

Domestic Major Objective

The other major objective of the Administration, which will be continued in full force, is to complete this transition from a wartime economy to a peacetime economy, without having to go through a depression as we had to in the old days. I believe that is well on the way to accomplishment and to me one of the most inspiring things about President Eisenhower's leadership has been the way that all segments of our economy have responded to his leadership and have maintained confidence in our system. You see that the sign-posts are set in the right direction; that where we find waste and extravagance in the government we will eliminate it; where we find, consistent with national security, that we can cut the budget and cut taxes, thus aiding private enterprise in this country, that will be done. Where we find unnecessary economic controls they will be taken off, but in matters affecting the individual rights of citizens in this country, of their matters of the spirit, you might say, their personal stake in society, and all those matters, this government will continue to be liberal.

We think that is just as important as it is to be conservative in

matters affecting the pocketbook. There is no conflict between the two, and the President has sometimes described it as a middle-of-the-road philosophy.

You know, that makes an awful lot of people angry, when you talk about being middle-of-the-road—those on the extreme left seeking to tear down our government and substitute a socialistic form, of course, don't like it—and some of those on the extreme right, who would likewise change in a very material respect the form of government which has worked so well in this country for now pretty well 200 years, they will be disappointed too. But, to my mind, the great bulk of the American citizens believe in this policy of moderation. It takes more patience and is more time-consuming, but in the end it achieves the balance that we want which will allow this country to go ahead with an economic system which is so far superior to any other that is known on the face of the globe, that there can be really no doubt about the fact that that is what we want.

Follow the President's Leadership

Those two objectives—the moderate policies of the Eisenhower Administration—will go forward, and I believe that force of public opinion will see to it that your representatives in the nation's capital, whether they be in the Executive Branch or whether they be in Congress, follow the President's leadership.

That is our goal. That is our attitude. We are ready to cooperate and I believe that cooperation will be achieved to the benefit of everybody in this country.

Bache & Co. Offers Mutual Fund Shares

Bache & Co., on Nov. 9 announced a precedent-setting arrangement for the distribution of upward of 2,500,000 shares of the National Securities Growth Stocks Series at the offering price which was \$15.54 per share on Nov. 5.

The arrangement is unique in the investment industry in that it marks for the first time a concentrated effort by a single firm as dealer-manager for the sponsor of a sizable number of shares of a mutual fund which has been in existence a number of years, it was pointed out. National Securities Growth Stocks Series shares have been on the market since 1940.

The record making sales effort coincides with the publication by The National Securities & Research Corp., sponsors and managers of the National Securities Growth Stocks Series, of a timely, comprehensive, specially prepared booklet dealing with atomic age investing.

In its booklet, National Securities & Research notes that for some years the fund's portfolio has included common stocks of well established corporations engaged in uranium, atomic energy, electronics and allied fields.

National Securities & Research Corp., 120 Broadway, New York, was established in 1930. It is the investment manager and sponsor of the National Securities Series of mutual funds, which number seven, and are namely, the Bond Series, Preferred Stock Series, Income Series, Stock Series, Balanced Series, Income Series, Stock Series, Growth Stocks Series. Shares of the funds are distributed through dealers in 47 states.

The market value of funds under supervision of National Securities & Research Corporation currently exceeds \$190,000,000.

From Washington Ahead of the News

By CARLISLE BARGERON

Of all the games which men play the game of National Politics is, to my mind, unquestionably the most fascinating and for the greatest stakes. In that light I get a great kick out of the crocodile tears being shed by Stephen Mitchell, Chairman of the Democratic National Committee, and other high Democratic luminaries over the Republican charges, mainly by Vice-President Nixon, that the Democratic party has been "soft" on Communists.

A few weeks before the recent elections, Democratic Speaker Sam Rayburn of the House and Democratic Leader Lyndon Johnson of the Senate, announced the Congressional Committee Chairmanships which would be in effect under a Democratic Control of Congress. There would be George of Georgia, Chairman of Senate Foreign Relations; Byrd of Virginia, Chairman of Senate Finance; Spence of Kentucky, Chairman of House Banking and Currency; Clarence Cannon of Missouri, Chairman of House Appropriations; Russell of Georgia, Chairman of Senate Armed Forces. Any Communists or soft on Communists men there? No, they are among the ablest members of Congress.

As a matter of fact, these men deserve the commendation of the American people for having seen the Communist menace of the Roosevelt and Truman Administrations and for having opposed those Administrations, at least from 1938 on. They were not able, however, to prevent the situation whereby the Communists came to be the most respectable and influential people in the Washington government, in radio and newspapers, in magazines, in Hollywood. The group of Southern and other Democrats whom I have in mind have been smeared just as much as Nixon and McCarthy are being smeared today.

You can bet your boots that it is no satisfaction to Walter Reuther, the CIO generally, the ADA and the Communists—and they don't like to be associated together and there is a difference—that there are the Democratic chairmen of the committees that I have described.

But Stephen Mitchell knows, and Adlai Stevenson knows, that when they mention these Democratic chairmen of committees that they are hiding behind a false facade. They know that for the "Democrats" to be in power, outside of the South, means a government by the Leftist riffraff. They know that it got to be such a disgusting riffraff that these distinguished gentlemen whom they like now to brag about as the chairmen of the Congressional committees were mostly in favor, secretly, of the Eisenhower victory in 1952. Being human, they are now happy to have their committee chairmanships back again.

These crocodile-tear-shedding Democratic leaders know that, back under Roosevelt, Reuther, the CIO, and ADA and the Communists were all of one feather, they all subscribed to Mrs. Roosevelt's statements: "What's wrong with the Communists; we are all pursuing the same ends." Reuther, the CIO and ADA were off-shoots of this philosophy. They reorganized when the Comies became definitely known as enemies and agents of a foreign government. A very distinct difference between Reuther, the CIO and the ADA on the one hand and the Communists on the other is that the former are working within the framework of the American Government; they are not agents of any foreign government.

But they are so "broad-minded," so "tolerant," that even now they decry the "Communist witch-hunt." They would rather we forget about their past associations. That was just a misdeed, a tragic misdeed in which they would have us believe we were all at fault when all of us were not.

Heavens knows, Truman was no Communist. Left to his own devices, he was very much an American with most of the pet prejudices which we Americans have. But the political exigencies, pointed out to him after he had been in office for a few months, dictated that his political success and that of the Democratic party lay in not going after the Communists and fellow travelers in his Administration, not because the Communists in themselves were so politically strong but that the racial ties of the fellow travelers were.

I have no doubt that George, Byrd, Russell and the other Democrats about whom Mitchell likes to brag will continue to hold the Reuthers, the CIO and the ADA in check, but two years from now they will be just as unhappy about their associations in the hodge-podge which is called the Democratic party as they were in 1952. They are not the Democrats that Nixon talks about and nobody knows this better than Chairman Mitchell and the wise-cracking Adlai Stevenson who, to my mind, has no more chance of being President than you or I.

Manus Corporation Opens R. A. Presley, Jr. Opens

Manus Corporation has been formed with offices at 720 Fifth Avenue, New York City, to engage in a securities business. Jos Allen S. Manus is a principal of the firm.

DALLAS, Tex.—R. A. Presley, Jr. is engaging in an investment business from offices at 3718 Manana Street. He was formerly with Waddell & Reed, Inc. and Henry Seay & Co.



Carlisle Bargeron

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Department 35

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Analysis of the Industrial Outlook

By ALBERT T. SOMMERS*

Business Analyst, National Industrial Conference Board

Mr. Sommers, after commenting on the relative stability of business conditions since early in the year, discusses the pros and cons of a rise in industrial activity in coming months. Looks for a moderate advance in business due to closing of an inventory gap, along with a slow secular enlargement of normal consumer demands, rather than a sharp business cycle expansion. Adds that since much of business recovery in coming months is ascribed to ending of inventory liquidation, industries in which such liquidation has been most rapid should benefit most.

Since early in 1954, the most prominent feature of American business conditions has been an unusual degree of stability. On a quarter-to-quarter basis, neither gross national product nor the industrial production index, nor employment—the three most watched business indicators—has shown any appreciable change. In the second quarter of this year, the stability reflected in these aggregate measures hid a shift in the composition of business activity away from the demands of defense and toward the demands of consumers. But in recent months even this shift has slowed very markedly; measuring from April-June to July-September, virtually all of the major components of gross national product have been about stable.



Albert T. Sommers

Personal consumption has continued at about its second quarter rate; defense spending and capital outlays by business have declined only slightly; inventory has continued to drain off at a rate perhaps slightly higher than in the second quarter; new private construction has risen somewhat further, as have state and local outlays. No one of these trends has been of sufficient magnitude to impart any sense of direction to total industrial activity.

Those monthly indicators which forecasters have come to depend on heavily have been behaving in a similar way. The industrial production index has fluctuated between 123 and 125 throughout the year; personal incomes and retail sales have been stable for six months; wholesale and retail prices have hardly moved in 1954. Factory employment and total nonfarm employment, after correction for seasonal factors and also for the effects of strikes in the lumber and rubber industries, have been moving sideways since early summer. Hours worked and new orders in manufacturing—two of the so-called "leading indicators" that have a fairly reputable record as forecasters—are still without a trend.

Finally, the system of foreshadowing statistics, which now covers most of the important planned demands of business, government and consumers, also appears to be in neutral, at least when the statistics are taken as a group. The rise of construction activity foreshadowed in the currently high level of construction contract awards is about fully offset by declines foreshadowed in the Department of Commerce's series on anticipated business expenditures for plant and equipment, and in the somewhat lower level of defense expenditures foreshadowed in the September revision of the fiscal 1955 budget. What limited foreshadowing information is available on the de-

mands of consumers for durable goods does not suggest any important change from current levels. This general stability is a source of some embarrassment to economic forecasters. Forecasters are happiest—if they are ever happy—when they are projecting a trend already in existence, for one very good reason. If the trend continues for just 24 hours after the forecast is made, they can claim that they were exactly right in the crucial matter of direction; and any errors that materialize later can be dismissed as minor miscalculations in timing and dimensions. In the embarrassing absence of an existing short-term trend, I propose to back off a bit from the actual month-to-month changes in current industrial statistics, and to try, instead, to put their current levels in some perspective. In early 1952, you will recall, business was still experiencing the so-called "lull in inflation" that appeared after the second scare buying wave of 1951. Between the first quarter of 1951 and about April, 1952, defense spending was rising at its fastest rate of the post-Korean period. But most consumer industries were suffering from considerable slack. In spite of increasingly severe material restrictions, the automobile industry was having difficulties selling its output; consumer durable goods producers and retailers were still clearing out warehouses at heavy discounts from list prices. Most soft goods industries serving primarily the consumer were also liquidating inventory in early 1952. During the year ended in early 1952, total measures of the physical volume of industrial activity were stable, but the distribution of material and manpower resources was shifting out of the civilian sector and toward defense. The boom that emerged out of this stability drew its strength from a large number of sources in both the civilian and defense sectors, many of them of a one-shot variety. Regulation W, which had inhibited consumer borrowing for the preceding 18 months, and which had held the average duration of instalment credit contracts to about 13 months, was revoked in April, 1952. The result was a sudden new blossoming of the postwar instalment credit boom. Secondly, the 1952-1953 boom gained much of its momentum from the stripping of inventories of steel and steel products during the two-month strike of mid-summer 1952. Before the steel strike, steel stocks were extremely heavy, and the industry's operating rate for late 1952 was open to question. After the strike, capacity operation in steel was assured, at least through early 1953. This assurance was actually underwritten by published plans of the defense agencies for a catch-up in defense production. The strike also precipitated a catching-up period in capital goods industries, where operating rates had also been in doubt prior to the strike. Personal incomes were inflated by a new round of wage increases emerging out of the strike settlement. And to top it all, this sudden injection of a battery of business stimulants occurred in the presence of the widest Federal

budget deficit of the postwar years. As the 1952-53 boom matured, it naturally consumed its fuel. As the rise in inventories continued into 1953, the character of accumulation gradually changed from voluntary to involuntary. Within about a half year, automobile stocks swung from negligible to ominously high. At the same time, the credit boom came to depend increasingly on more and more favorable terms. The peak in the seasonally adjusted rate of instalment credit extensions occurred in March, 1953, and the average length of existing contracts stabilized at about 17 months. The end of the catch-up in defense production came in the second quarter of 1953, and the new burst of plant and equipment outlays reached its peak in the third quarter. In the ensuing general decline of business conditions, most of the demands that precipitated the 1953 boom went into reverse. Inventory policy swung sharply from a \$5-billion annual accumulation rate in mid-1953 to about a \$5-billion liquidation rate in early 1954. The seasonally adjusted rate of instalment credit extensions declined rapidly into early 1954, and actually ran somewhat below the repayment rate in the early months of the year. The annual rate of the Federal budget deficit was cut about in half, and in the process the defense spending rate was reduced to fully 10% below its level at the beginning of the 1952-53 boom. Capital outlays of business declined slowly, but without interruption. Manufacturers' backlogs fell very sharply, principally in defense industries.

The point to be made in connection with the 1953-54 decline is that there is very little evidence that it has overcorrected—in most areas, it has not gone so far as to rebuild rapidly the conditions required for a new expansion of the 1953 type. The sources of the 1953 boom are not reappearing, after a year of withdrawal from the boom's peak. For example, the seasonally adjusted rate of instalment credit extensions rose somewhat in early 1954, and has since run at about the repayment rate. Outstanding credit, on a seasonally adjusted basis, has not risen in 1954, but neither has it been reduced signif-

icantly below a year ago. Relative to disposable personal incomes, the instalment debt repayment rate is still at its highest level on record. Similarly, capital outlays of business, while they have declined, are only modestly below a year ago, and have certainly not reached a level which suggests an accumulating backlog of demand for new capital equipment, for either replacement or expansion. In this market no new stimulus has appeared of sufficient dimension to offset the waning of the accelerated amortization program, which played an important part in bringing 1953 outlays to their impressive peak. There is, likewise, no evidence that the present rate of defense deliveries, which is now more than \$10 billion below its peak, is building a backlog of defense demand for the future. While the rate of obligation of funds has risen, the budget suggests a slight further decline in actual production and deliveries. Finally, real per capita consumption has continued at or above its extremely high 1953 rate; at this rate, it is hard to believe that consumers are storing up demand for a new burst of spending. Judging from the available figures, only a very small proportion of spending units are living at a scale significantly below the best scale they have ever known in the past. This leaves inventory as the principal area in which the 1954 recession has been building a base for a new advance. Even here the evidence is not conclusive. Present information—including that directly from purchasing agents surveyed by their own association—does not suggest a swift, speculative accumulation in the near future, but only an ending of liquidation. Part of the reason for this hesitancy may be that in hard goods, which accounts for almost all of the liquidation of the past year, delivery times on virtually all items have improved dramatically, and the 90-day stocks carried in 1951-1953 are simply no longer necessary. Moreover, 1954 competition being what it is, few purchasing agents are disposed to argue that the prices of what they buy are likely to rise in the near term. The speculative urge to accumulate is thus also absent, at least for most commodities. There are, in addition, some statistical

grounds for thinking that inventory-sales ratios in many markets may still be somewhat high, in the light of what seems to be a pronounced secular downtrend in the ratio over the past 35 years. And it is also true that a substantial volume of inventory, amounting to perhaps \$12 billion, reposes in government warehouses as the property of the Commodity Credit Corporation and the defense stockpile. These government-held inventories are not reflected in the business inventory figures, or in inventory-sales ratios. But they nevertheless bear, if only indirectly, on industrial markets and hence on industrial prices. Apart from the short-term influence of a return to normal inventory demand, there are a number of longer-term influences at work which will tend to promote recovery. These include, among others, the steady rise in our population, and the extremely rapid current pace of industrial research and technology. The year-to-year gains in industrial activity attributable to these longer-term influences are, however, not large, and forecasters working with 1955 seem to place their greatest weight on a moderate recovery in inventory demand. To summarize what I believe to be the current consensus of analysts, the fact that we have had six months of stability in aggregate final demands, in the presence of a relatively rapid drain on inventory, suggests a rise in industrial activity in coming months, and extending well into 1955. But the preferred description of this rise is in terms of a gradual closing of an inventory gap, plus a slow secular enlargement of normal demands, rather than a sharp business cycle expansion. It should be added that since much of the growth in coming months is expected to result largely from an end of inventory liquidation, those industries, such as steel and autos, where liquidation has been most rapid should benefit most.

With Daniel D. Weston
(Special to THE FINANCIAL CHRONICLE)
BEVERLY HILLS, Calif.—Philip M. Smith, Jr. has been added to the staff of Daniel D. Weston & Co., 118 South Beverly Drive. He was formerly with Mitchum, Tully & Co.

*A talk by Mr. Sommers before the New York Chapter of the American Statistical Association, New York City, Oct. 14, 1954.

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Are the Savings Banks Meeting Competition?

By J. HAMILTON CHESTON*

President, National Association of Mutual Savings Banks
President, The Philadelphia Saving Fund Society

Mr. Cheston discusses the situation of mutual savings banks throughout the country and notes that 1954 has been a year of progress. Says savings banks should participate in the unparalleled economic growth of the nation and efforts should be made to promote the convenience of thrift savings to the public. Discusses the new Housing Act as it affects savings banks and notes progress of savings bank life insurance. Urges continued cooperation among savings institutions.

It is a real pleasure to meet with you today amidst these beautiful surroundings to bring you greetings from the National Association and to discuss with you some of the challenges that confront our industry today in the highly competitive quest for the saver's dollar. These problems are not theoretical or imaginative, but are down-to-earth situations that confront each and every one of our institutions day by day. Upon their successful solution depends the status of our industry in the thrift business a generation hence. We must first be alert to the problems that the challenge presents and, secondly, we must carefully analyze the problems in order to prepare a well thought out plan of action which will enable us to meet them.

Since my election as President of the National Association I have attended eight State meetings, including one of the Mortgage Bankers Association at San Antonio, Texas. I have also recently concluded a three weeks' trip to the Pacific Coast. There I attended meetings of and visited with savings bankers and commercial bankers at Seattle, Tacoma, and Portland. As the result of these meetings, I am distinctly encouraged to observe initiative and aggressiveness in meeting competition on the part of individual institutions.

The over-all picture of our industry continues to be satisfactory, as measured by the usual indices of progress, such as deposit growth, gain in accounts, surplus, dividends or interest credited, and so forth. All of you I am sure closely follow these figures, and are familiar with them.

Looking forward over the next generation, the prospects for economic growth in our nation are unparalleled. In actual physical terms, despite the depression of the 1930's, our gross national product actually doubled, and in dollar amount it more than tripled. Accompanying these gains has been a redistribution of income which has diffused the gains far more widely among people at large instead of concentrating these gains in the high income groups. When we consider the upward trend of population and the technological advances which are in prospect—we are on the threshold of the atomic age—the outlook is for an unparalleled rate of economic progress. Now, we as savings bankers want to participate fully in this growth. We want our share of the saver's dollars, and we want, through

*An address by Mr. Cheston before the 61st Annual Meeting of the Savings Banks' Association of the State of New York, White Sulphur Springs, West Virginia, Nov. 5, 1954.



J. Hamilton Cheston

investment of funds entrusted to us, to help that economic progress.

Furnishing Convenience for Savings

One of the most important considerations in attempting to do an adequate job of bringing our service to more and more people is the matter of convenience. In recent surveys, convenience has been emphasized as one of the leading reasons why people choose one bank or thrift facility over another. If you have a convenient location with adequate banking hours, if you have good personal relations at every point of contact with the public and offer as many banking and related services as possible, you are doing a good job in filling the thrift needs of your community. However, to have these advantages is not enough—the public must know that you have them. Through word of mouth, newspaper, radio and television advertising, activities of your staff in civic affairs and other channels, you must get your message across. I am glad to notice the emphasis placed, in New York, on bringing the savings bank message to the public, both through the efforts of individual institutions and through your Statewide Cooperative Promotional Campaign. We must remember that while our expenditures for this purpose may seem large to us in the light of our past experience, they are nevertheless small in comparison with the amounts spent by our leading competitors. Data prepared by the Federal Home Loan Bank Board shows that in 1952 the savings and loan associations, in the aggregate, spent over \$25 million for advertising. According to the survey by the National Association's Committee on Public Relations, the mutual savings banks spent about one-third as much.

Most of you know from the Bulletins of the Association that we are devoting time and effort to arrive at a better and more satisfactory understanding with the savings and loan organizations. Two subcommittees of the National Association are working to that end, and I am going to Los Angeles the middle of November to address the Annual Meeting of the U. S. Savings and Loan League.

I have been much interested in the efforts made by New York savings banks to obtain broader branch powers. In Pennsylvania, we have had a similar situation. As you may know, the industrial development in the Delaware River Valley has spread the population which was formerly centered in Philadelphia over a wider area. At present, it is almost impossible for the mutual savings banks in my State to follow these people and give them the thrift facilities to which they are entitled. Certainly in New York State, the savings banks desirous of serving populous areas developing outside of New York City, Buffalo, and other cities should be given the opportunity to do so. I was glad to notice that your Superintendent of Banks recently said that "it is hardly to be doubted that the Legislature, probably soon rather than late,

will, in the end, for the public's sake, liberalize these powers."

As you know, the force of public opinion in this struggle is a very important factor. As in all matters affecting the public's interest, if we are to do a good job, we must demonstrate that the bank is interested in their welfare in all of the broad aspects of its operations.

The New Housing Act

I want to talk briefly about a matter which I firmly believe may have an influence on the public's opinion of mutual savings banks. The Federal Housing Act of 1954 is now the law of the land. One of the purposes of this Act, as you know, is to sustain construction activity at the high levels which have been reached by making mortgage credit readily available in all sections of the country on terms most favorable to the borrower. Whether in every case the lender should go to the limit permitted under the new enactment is a question which each individual lender should ponder carefully. We cannot rely solely on guarantees, but we must reinforce guarantees and insurance by providing a sound foundation in terms of down payment, length of maturity, and ability of the borrower to service his mortgage obligation without interruption. We should not, in an effort to acquire mortgages in a highly competitive market, relax the standards upon which the underlying soundness of our mortgage portfolios depend. We have a duty to our depositors and our institutions as well as to the prospective home-owners. We will not be really helping the prospective home-owner if we allow him to undertake an excessive obligation. Let us therefore proceed wisely in making use of the provisions of the new legislation.

One of the facets of the new housing act is the creation of a "Voluntary Home Mortgage Credit Program." The specific purpose of the program is to "encourage and facilitate the flow of funds for housing credit to remote areas and small communities and among minority groups." But, it is specifically stated that the program is to be carried out "in accordance with sound underwriting principles and through the cooperation of the mortgage lenders, home builders and mortgage banks." Two savings bankers—Harry Held and Bob Morgan—are members of the over-all 14-man national committee. We are also represented on each of the regional subcommittees, in areas in which our institutions are located, by nominees of the National Association. The program is based on the philosophy that private lenders can, in cooperation with each other, handle the problem of providing access to government-insured or guaranteed mortgage credit, through their own efforts. We should bear in mind that the program affords a real opportunity for us to show that private enterprise can do the job and that we do not need a secondary mortgage market facility and the direct lending program of the VA.

For a moment let us examine the present and prospective status of credit unions, which symbolize the newer types of competition that we face. As you all know, these began as cooperative associations of people with common interests who pooled their savings in order to lend to their members at low rates. At the close of 1953, there were 14,152 credit unions, or 70% more than in 1939. Scattered over the entire nation, their seven million members tripled those of 1939 and their assets of \$2 billion were more than 10 times the 1939 figure. During the single year 1953, their number had gained 15%, their members, 20% and their assets 33%. The dollar amount of assets—over two billion

—may not seem too important, but their rate of growth in recent years is very impressive.

Credit unions have been chartered by states since 1909 and since 1934 also by the Federal Government. Interesting a wealthy philanthropist during their early development, they have a national organization which actively promotes the formation of new credit unions. This is true likewise of the Federal Bureau of Credit Unions, which is now under the Social Security Administration of the recently-organized United States Department of Health, Education and Welfare. Previously they had been under the FDIC and at one time under the Farm Credit Administration. It was proposed in the last session of Congress that a sort of federal reserve system should be set up for these federally tax-exempt organizations.

Savings Bank Life Insurance

On this 15th anniversary of savings bank life insurance in New York State, I congratulate the savings banks of New York State who are active in this splendid thrift service, on the record which they have achieved.

As Superintendent Lyon said in September, a record of 165,000 policyholders and a total of \$250,000,000 of insurance in force is, indeed, a success story. Credit should go to those dedicated and far-seeing savings bankers who supported the original legislation and who since then have persistently stressed savings bank life insurance. It is a thrift service for people of moderate means which is a "natural" for mutual savings banks to offer.

I wish that we were authorized to sell savings bank life insurance in my State of Pennsylvania. The Philadelphia Saving Fund Society, a few years ago, employed a firm to survey the Philadelphia area to see what the potential was for savings bank life insurance if our banks had legislative authority to offer it. If anything was needed to convince any of my associates of the good that savings bank life insurance could do and the help that it could be to thrifty souls, this survey provided that final evidence. But we still must persuade the Legislature that this would be another service for the public welfare. Legislation of this sort is apt to come to fruition slowly.

Mr. Lyon's remarks in September touched upon the difference that prevails between New York and Massachusetts. In Massachusetts the State is much more completely covered than in New York and a far larger proportion of savings banks participate. He, of course, recognized that, in Massachusetts, savings bank life insurance has been in force for 30 years longer than in New York State.

I hope, with Mr. Lyon, that New York State will soon have the same degree of participation in savings bank life insurance and the same degree of coverage that exists in Massachusetts. I hope this because of my firm belief that savings bank life insurance exactly fits our basic and continuing mission—the promotion of thrift—and because the spread of savings bank life insurance will strengthen the savings banks individually as well as the system as a whole.

I have a personal reason for hoping that in New York State this service will soon spread into more savings banks throughout your entire State. Your example, alongside of that of Massachusetts, would make it simpler for us in Pennsylvania to get the necessary legislation for us to offer this service. We are planning to introduce a bill at the biennial session of the Pennsylvania Legislature, starting next January, to authorize the state's mutual savings banks to sell low-cost life insurance—only policies up to

\$5,000—over the counter. Were we to secure approval of this proposed legislation, this could well help savings banks in other states who are anxious to undertake the service.

The coming session of Congress will confront our banks with a well organized and determined effort to bring about changes in the Federal Income Tax Law, as applicable to us, which would be extremely harmful to our industry. The National Tax Equality Association—a midwestern organization—is sponsoring the showing of a film and the distribution of literature attacking the alleged discrimination in the tax law in favor of cooperatives, savings and loan associations, and the mutual savings banks. I understand that the Tax Equality Association has 15 units which will show the film and distribute the literature throughout the country during the next several months to approximately 25 million people.

I hope that in all I have said you have noticed the emphasis on cooperative effort in order to achieve progress. I firmly believe that as individual institutions we cannot do enough, but, acting together, we can attain our important objectives. Our National Association provides the means by which we can join hands in mutual efforts which transcend state lines. It can supplement the magnificent job being done by State associations such as your own. There are 13 standing committees of the National Association and each one of them is doing a splendid and very conscientious job. Through our united efforts we can face the future with confidence.

O'Sullivan Rubber Stock Offered

Troster, Singer & Co. and C. F. Cassell & Co., Inc., yesterday (Nov. 10) made an offering of 71,000 shares of O'Sullivan Rubber Corp. common stock (\$1 par value) at \$4.25 per share. O'Sullivan, a leading manufacturer of rubber footwear materials, is now also an important producer of plastics and has developed a process for laminating vinyl sheeting on steel or aluminum. This material is currently being used by a prominent television set manufacturer, and by one of the largest producers of office machines and equipment.

The common stock being sold represents holdings of a former director.

Fidelity Investment Co. Formed in Greensboro

GREENSBORO, N. C.—Fidelity Investment Company has been formed with offices in the Southeastern Building to conduct a securities business. Officers are Emry C. Green, Chairman; Henry T. Martin, President and Treasurer; and Emry C. Green, Jr., Vice-President and Secretary. Mr. Martin was previously with R. S. Dickson & Company.

Ashton & Co. Formed

DETROIT, Mich.—Elton A. Ashton has formed Ashton & Co. with offices at 15315 West McNichols Road to engage in the securities business.

In New Location

Capper & Co., specialists in uranium stocks, have announced that in order to provide better service for their growing clientele they have removed their offices to new and larger quarters at 80 Broad Street, New York City.

Campbell Robbins Adds

(Special to THE FINANCIAL CHRONICLE)
PORTLAND, Oreg.—Paul B. Welch, Jr. has joined the staff of Campbell & Robbins Incorporated, U. S. National Bank Building.

Prospects for Industrial Nuclear Power

By GLENN T. SEABORG*

Radiation Laboratory, University of California

Radiation expert and co-discoverer of plutonium maintains tremendous amounts of energy can be released in a slow, controlled fashion through the use of nuclear energy machines or reactors, and, accordingly, there is a vast potential area of peacetime application of this power. Holds, as yet, its application and impact cannot be fully assessed. Lists as the first of two important peacetime applications the production of industrial power. Discusses problems which must be solved before use of nuclear energy becomes practicable, and stresses importance of private participation in this development.



Glenn T. Seaborg

Culminating the period of some 50 years in which phenomena directly associated with the nucleus of the atom have been under scientific observation, the last 16 years have seen a number of events which may be said to have ushered in an era which is commonly referred to as the atomic (or nuclear) age. Three of these events—the discovery of the nuclear fission reaction in December, 1938, the discovery of the synthetic element plutonium in December, 1940, and the first successful demonstration of a self-sustaining nuclear chain reaction in December, 1942—furnish the basic scientific background upon which the future of peacetime "nuclear" will stand. These were followed by the successful detonations of atomic weapons some two and one-half years later in the summer of 1945.

It is fortunately a characteristic of the nuclear chain reaction operating on fissionable material that tremendous amounts of energy can be released in a slow controlled fashion as well as instantaneously as is the case for the nuclear weapon. Just the same amounts of energy, which captured the imagination of so many people when the nuclear weapons were first exploded, can be released under controlled conditions in nuclear energy machines or reactors or piles as they sometimes are called. There is a vast potential area of peacetime applications which has not been, and in fact cannot yet be fully assessed. Only when we have more of that perspective which time and experience alone afford, shall we be able to say with any assurance whether this new knowledge, on balance, more greatly serves mankind and the forces for good than it serves evil.

Aspects of Peacetime Applications Of Nuclear Energy

There are two important aspects of the peacetime applications of nuclear energy—first, its application to industrial power uses, and second, the use of the by-product radioactive material for important research in medicine, biology, and other scientific fields.

For the first of these there are the famous "fissionable materials"—plutonium and the isotopes of uranium known as uranium-235 and uranium-233, which will be used as fuel in especially designed nuclear energy machines. There

are, however, a number of very difficult problems to solve, largely engineering in nature, before this can take place. It will be a good many years, therefore, before energy of this type will compete with common sources of energy such as coal. Such machines must run at high temperatures in order that the energy can be extracted in useful form and this means that there will be many problems involving materials of construction, corrosion, and so forth. The materials of construction must be chosen from those whose neutron absorption is small and this limits the choice to uncommon substances. Adequate coolants must be found and method of control of the reaction must be assured. It will also be necessary for the chemists and chemical engineers to develop procedures to purify the plutonium and uranium and also to repurify these materials in order that the unburned fuel may be used again.

These problems will be solved, however, and a nuclear energy industry will probably be developed in the future because of the advantages of this form of energy. It is well to remember that the presence of the radioactive rays during the operation of the nuclear reaction makes it necessary to surround these reactors with large quantities of shielding materials for protection. Therefore, nuclear energy devices will be well suited to stationary structure and hence perhaps they should be used first in areas where other forms of energy are not so readily available. It will never be possible to use these nuclear energy devices for the propulsion of ordinary automobiles because of the weight of this shielding material, but it will be possible eventually to use them for the propulsion of boats or even large airplanes. In fact, with the recent commissioning of the submarine "Nautilus" and the well advanced plans for its sister submarine, the "Sea Wolf," great progress has already been made in putting nuclear energy power plants into submarines. The value of such power plants to large sea going vessels will be great because of the almost unlimited cruising ranges which they make possible; I, therefore, feel that it is entirely possible that in the course of 10 years or so we may reach the place where very few new large capital ships will be launched without the inclusion of nuclear power plants.

Private Participation in Nuclear Energy Development

Of particular importance to the future of nuclear energy in the field of industrial power is the potential program of greater participation of private industry. This has been made more feasible as a result of the recent revision of the atomic energy law in the form of the Atomic Energy Act of 1954. Under the old law the government had a complete monopoly of atomic energy. Under the new law these restrictions have been largely removed and industry now has the right to use fissionable materials, the right to own and operate nuclear reactors,

and a certain amount of right to patent inventions and discoveries in the field of nuclear energy. There is now a widespread interest in the field by many industries, and it is certain that they will take advantage of the new possibilities.

It is too soon to be able to say whether nuclear energy will be able to compete in cost with other forms of energy, such as coal. In order to be competitive in this country, on the average, the overall cost will have to be of the order of six to seven mills per kilowatt hour of energy. There have been some estimates by competent engineers that this will be possible, but on the other hand, a number of equally competent engineers have expressed grave doubts. However, the present cost of electrical energy is greater in some areas, and in some places in the world the cost is much greater, so that nuclear energy will in any event be competitive in such situations. It should be emphasized that nuclear energy will be important regardless of the eventual outcome of the cost situation because of its concentrated form and hence its possibility of doing things that no other form of energy can do at any price.

The second peacetime application of atomic energy is the use of the by-product radioactive substances in research work for atom-tagging experiments. In atom-tagging or tracer studies as they are sometimes called, an element in its stable form is tagged or labelled by mixing it with a radioactive form of the same element. Then the course of the element, for example through the human body or in a chemical reaction, can be followed quite easily by observing the course or path of the radioactivity in the system. It is often possible to do things by the atom-tagging method that cannot be done at all by ordinary methods.

Today there are about 1,000 radioactive substances known, most of them made radioactive by artificial means, that is, by bombardment with nuclear particles. The nuclear energy piles developed during the war are better sources than we ever had before and have greatly reduced the cost of these radioactive substances. The Oak Ridge National Laboratory in Tennessee, United States

of America, has made about 40 thousand shipments during the last seven years to medical institutions, hospitals, universities, and public and private research institutions throughout the world. Research work using these radioactive substances (from the United States of America) is going on in hundreds of laboratories in about 25 different countries throughout the world including several countries in the United Kingdom. Radioactive material is also now being made available to the laboratories of the world from the atomic energy reactors in Canada, England, Norway, and France.

It seems certain that the average man will benefit from these aspects of nuclear energy before he will benefit from its use for the production of power. In fact, I feel that not only will the average man profit first from this aspect but also that the greatest service to humanity in the long run may come from the use of these radioactive materials. Probably the greatest help will come from their application in medical therapy and diagnosis and in biochemical and medical research. Research in these fields is proceeding at an accelerated rate because radioactive tracers are making it possible to study a number of important problems. For example, it is possible to determine the site of action of therapeutic agents, to decide which form of a new drug is absorbed most readily from the gastrointestinal tract, and to identify and thus be able to produce in the laboratory new chemical compounds of biochemical or medical value. The incorporation of radioactive substances into the molecules of those great substances the sulfa drugs and also the antibiotics such as penicillin and streptomycin might lead to a better understanding of how they work.

Other fields in which these radioactive substances are being used include many branches of chemistry and physics, agriculture, plant physiology, metallurgy, zoology, and many branches of industrial research.

In Secs. Business

BRIELLE, N. J.—Ruth M. Knef is engaged in a securities business from offices on Homestead Road.

COMING EVENTS

In Investment Field

Nov. 13 1954 (Philadelphia, Pa.) Investment Traders Association of Philadelphia buffet Supper and dance at the Germantown Cricket Club.

Nov. 17, 1954 (New York City) Purchases & Sales - Tabulating Division of Wall Street annual dinner at the Hotel Statler.

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

Dec. 17, 1954 (Los Angeles, Calif.) Security-Traders Association of Los Angeles Christmas Party at Hotel Statler.

May 8-10, 1955 (New York City) National Federation of Financial Analysts Societies at the Hotel Commodore.

Sept. 13-16, 1955 (Mackinac Island, Mich.) National Security Traders Association annual convention.

With Waldron & Co.

(Special to THE FINANCIAL CHRONICLE) SAN FRANCISCO, Calif.—Merris L. Beard is now connected with Waldron & Company, Russ Building.

R. J. Mayle Opens

(Special to THE FINANCIAL CHRONICLE) SANTA CLARA, Calif.—R. J. Mayle is engaging in a securities business from offices at 1115 Lafayette Street.

With Lester, Ryons

(Special to THE FINANCIAL CHRONICLE) SANTA MONICA, Calif.—Clayton J. Ankeny has been added to the staff of Lester, Ryons & Co., Bay Cities Building.

Joins H. Carl Aiken

(Special to THE FINANCIAL CHRONICLE) DENVER, Colo.—Louise A. Wagner has joined the staff of H. Carl Aiken, 1160 Sherman Street. Miss Wagner was formerly with FIF Management Corporation.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE

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A management-type investment company recently organized in Canada to provide a means by which residents of the United States may invest in the securities of companies deriving their income from sources outside the United States, particularly Canada, and obtain certain tax benefits under the laws of Canada.

Price \$21.50 per Share

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Copies of the Prospectus may be obtained from the undersigned only in states in which the undersigned is qualified to act as a dealer in securities and in which the Prospectus may legally be distributed.

WHITE, WELD & CO.

November 10, 1954

No War But More Trade With Russia!

By CONRAD N. HILTON*
President, Hilton Hotels Corporation

Contending we shall have no war in our lifetime "unless we fumble into it," prominent hotel executive holds Russia is too smart to be trapped into war, and China is too poor. Sees, however, continued maintenance of necessary means for security on the perimeter of the free Western world. Urges we should make a gesture of peaceful trade with Russia. Points out if we are to maintain a high level of employment we must find markets for an additional \$3 billion of goods a year.

The First Communist International was organized by Marx himself in London in 1834; it lasted about ten years. The Second International came into being at Paris in 1889, split into factions and was similarly abortive on any political or economic level. The Third International was formed at Moscow in 1919 by two fanatical geniuses, Lenin and Trotsky. They split in 1937 from his refuge in Mexico, Trotsky created the Fourth International to oppose the Comintern. We live today under the guns of Communism. And because whether we like it or not, we are going to have to continue to live with them, I propose a Fifth International to stand up and fight back. What I have in mind is an International of trade, of business, of commerce around the world. I should like to see bread and butter and rumors of freedom and happiness and the things of the spirit circulated from West to East to oppose the dirty ideas of force and fear and hunger seeping through the Iron Curtain. The world is still very poor: two-thirds of the world's population are underfed and one-half of the men, women and children in this world of ours go to bed hungry each night.



Conrad Hilton

Just the other day a distinguished visitor to our shores, Miss Amrit Kaur, the Minister of Health from India, told this: that by giving just one extra glass of milk a day to school boy athletes in India, the physical coordination and ability of these youngsters was increased to an amazing and notable degree. If one extra glass of milk can achieve that effect in an undernourished people, I believe that the circulation of food, the good things of life, to the hungry in the captive nations would be more effective than H-bombs in the destruction of communism.

First we must begin with two assumptions. One, that there will be no war in the next 15 or 20 years. I personally am convinced that we shall have no war in our lifetime unless we fumble into it. I think Russia is too smart to be trapped into war; I think China is too poor. The second assumption is that we go on maintaining all the necessary military means for security on the perimeter of the free Western world. That long crescent of steel under the Soviet Republic from the White Sea to Pakistan, with 160 airfields, its stockpile of H-bombs and atomic artillery, its submarines and guided missiles, must be held steady. One fist of the free world must be held clenched. Our 15 NATO nations plus Spain, Africa and Pakistan, plus our friends in Asia and Australia must stand ready. That is our Life Insurance,

our Fire Insurance. But let us not be pre-occupied with the Insurance; let us not be thinking constantly of the possible fire, of possible death. Let us maintain the Insurance and go on from there, taking the cool, calculated risk of businessmen.

The fist, the clenched hand, is important, but what we do with the other hand could be more important. I am convinced that we should extend that hand in a gesture of peaceful trade. And we have got to assume that peace is a reasonable possibility. Certainly, we cannot pretend that one-third of the human race does not exist. I sincerely believe that we must include them in a new foreign economic policy assured that the world must live even before it becomes free. This is a daring step to take and probably a daring subject to be discussing, but I believe it is the kind of thinking that President Eisenhower is doing. And the initiative is ours. We have 5% of the world's population but produce 40% of the total output of goods and services. In capital, two-thirds of the world's flow of savings is ours. It is almost incredible but we are at once the largest exporter of goods and the largest importer. Consequently, we do have the strength, the stature and the know-how to initiate this Fifth International of trade to oppose the Communist International which has been slowly closing around us in the past nine years.

The way I see it, as an American businessman, we must calculate the risk and move forward on a new offensive. War we don't want. We have had three world conflicts in one generation. Since the beginning of World War I, 46 million people have been killed in warfare. Never before in history has man killed so many millions of his fellow men. And the slaughter has not solved one world problem. On the contrary, it has brought nothing but misery to men and nations. Besides the enemy might match us at war, while I have the feeling that we might very well beat them in business. I think that any one of you men here this afternoon can run a hotel as well as anyone in the Soviet Union. If that be true in hotels, it is likely to be true in the steel business, in manufacturing, in merchandising or transportation.

Mr. Harold Stassen, Director of our Foreign Operations Administration, said months ago that such a policy would be "An attempt to open up the Iron Curtain to what might be called the Free World's Merchants of a Better Life." I join him in the opinion that by turning the attention of these captive nations to consumer goods and the increased enjoyment of life, you brighten the long-run prospects of peace. And at the same time the expansion of markets will increase the standard of the workers in the free world. I cannot see that this new circulation of bread and butter around the world would strengthen the Eastern bloc by any appreciable extent. The net advantage would be to the free world.

I think that peace and our economic future will be more secure with the whole world for a mar-

ket. Our foreign trade has been decreasing since 1951, and if we are to maintain a high level of employment we must find markets for an additional \$3 billion worth of goods a year. To me it seems imperative that we encourage trade on a world-wide basis. And it is healthy—economically, psychologically and politically: it does not involve a gift to another country but is *quid pro quo* for every article we sell, for every article we buy.

Of course, our trade with the Eastern bloc is presently limited by the Mutual Defense Assistance Control Act of 1951—The Battle Act, as it is called—which completely prohibits all trade with China and North Korea and prohibits the shipment of certain strategic items to the other Eastern bloc countries. A few months ago the Eisenhower Administration revised the listings under The Battle Act, reducing the number of prohibited articles from 260 to 170 and, generally speaking, loosened the restrictions on trade with the Eastern bloc except in connection with those items which have a direct military significance. The purpose of these revisions as stated by the Department of State was in part:

- (1) The need to keep open every path that might conceivably help the world to move gradually toward a sounder basis for peace;
- (2) The massive upswing in the Free World strength and production, causing a growing need for new markets;
- (3) The decline in United States aid to free countries;
- (4) The economic benefits our allies get from trading in non-military items with the Soviet bloc.

When you analyze that latter point even casually you find yourself tripping over history. For a thousand years Japan has been trading with China. For hundreds of years Western Europe has been trading with the Ukraine, Poland, Czechoslovakia. The Industrialized West and Japan, lacking any great wealth of natural resources and often food, sent manufactured products eastward in exchange for raw materials, bread and rice.

For nine years this historical and traditional circulation of commerce and trade has been suspended and we have substituted great sums of foreign economic aid. It was like pumping blood plasma in transfusion into a man who could not produce his own healthy blood. But now the transfusion is stopped, our foreign aid is about terminated, and the man has got to produce and circulate his own blood. We had better let him do so if we want him to live and remain our ally.

There are as smart traders on this side of the Iron Curtain as on the other, and I do not see why, in any commerce with the Eastern bloc, we should assume that our allies or ourselves will get the worst of the bargain. More than that, this trade will strengthen our Western economies and give to us and our allies that much more security.

Look at it another way. Some of my best friends are those with whom I am doing business daily and over the years. All of us here this afternoon are friends because we do business together. Why should not that hold for nations and international trade? It seems to me obvious that trade will make for peace. And it is certainly to the advantage of the West to penetrate the Iron Curtain in any fashion which can be managed. The more Western businessmen we can cross through the Iron Curtain to deal with the businessmen of the East, the more chance there will be of some ultimate mutual understanding. On the other hand, you forbid all normal trade and social intercourse between the peoples and

you set up a climate which must make for ultimate war.

Someone might retort that following such a policy would reduce the chances of revolt in the Communist countries. Look at our own country for the answer. If, in 1776, we did not have enough to eat, we would not have had the strength to revolt. But we were

physically strong and had the courage and daring to stand up and throw off the oppressor. And I assure you, such trade will not improve the military potential of the USSR; their Soviet rulers will see to it that this military might is maintained even if it means starvation for millions of the people.

Industry Planning \$20 Billion Spending on New Plants and Equipment in 1955

Reduction of only 5% from this year's outlays, and lessening importance of defense industry, indicated by McGraw Hill survey. Petroleum, primary metals, and miscellaneous manufacturing anticipate higher level of capital spending. General rise forecast for 1956.

Capital spending by manufacturing companies may level off in 1955, ending the decline that started late in 1953, and present indications are that the 1956 level will be at least as high as in '55. These results of a preliminary survey of business' plans for new plants and equipment were announced this week by Dexter M. Keezer, Vice-President and director of the McGraw-Hill Publishing Company's Department of Economics which conducted the survey.



Dexter M. Keezer

American industry as a whole has preliminary plans to spend \$20.7 billion on new plants and equipment next year, only about 5% less than the \$21.8 billion spent in 1954. Furthermore, industry is overwhelmingly optimistic about the outlook for sales in '55, with a strong majority of companies in almost every industry expecting sales to increase next year.

Manufacturing companies plan to spend \$8.6 billion for new plants and equipment next year, 7% less than in '54. Mining, electric and gas utilities, railroads, and other transportation and communications industries also expect to reduce their capital spending in '55, but petroleum companies now plan to increase capital spending slightly next year.

No Major Defense Boom

There are clear signs in the survey results that the post-Korea boom in defense industries no longer has a major effect on their capital spending. Most of the manufacturing industries that expanded rapidly in connection with the defense expansion programs of 1951-53 — steel, nonferrous metals, machinery, electrical machinery, chemicals, petroleum refining, transportation equipment — cut their capital expenditures fairly sharply in 1954. Next year, however, most of them plan to reduce capital spending by less than the average for other, non-defense industries.

Two of the major categories of manufacturing reported plans for a higher level of capital investment in '55: primary metals, up 1%, and miscellaneous manufacturing (lumber, apparel, furniture and other industries not covered by the other major manufacturing classifications), up 5%. But most of the declines expected in major manufacturing groups are small; textile companies plan to reduce capital spending by 1%, chemical processing firms by 2%, food and beverages by 10%. The only large decline expected for a major manufacturing group is in metalworking—17%.

A much wider range of plans appears when these major industrial classes are broken down into smaller parts. Within chemical processing, for instance, stone,

clay and glass companies plan to increase their capital spending by 23% in '55, whereas chemical, paper, rubber and petroleum refining companies all expect lower capital expenditures. Plans in metalworking range all the way from an increase of 9% for "other metalworking" (instruments, fabricated metal products, etc.) to a tremendous decline of 40% for the automobile industry. Automobile companies are investing an estimated record \$1,350,000,000 this year, but expect to cut that sharply to \$811,000,000 next year, the survey finds. The '54 figure, however, included unusually high expenditures for new tools and body dies in connection with model changes at all major companies; this type of expenditure will not be repeated in '55.

Among the major non-manufacturing industries covered by the survey, the petroleum industry is the only one that anticipates a higher level of capital spending in '55. Petroleum companies report plans to spend about 1% more; this is due to a 7% increase in capital spending planned for crude oil production. (Capital expenditures for refining and transportation of petroleum and petroleum products are expected to decline.)

The electric and gas utilities plan only a small reduction of 2% in their outlays for new plants and equipment in 1955.

Present plans call for a reduction of 18% in capital expenditures in mining. The decline is mainly in coal mining where planned investment is off 40%, to \$121 million. Capital spending for iron mining, other than taconite, is expected to decline by 13%. In nonferrous mining, where expenditures dropped sharply in 1954, present plans call for spending 17% more next year.

Railroads, which cut capital spending sharply in '54, expect to reduce it by another 10% in '55, to \$769 million. Other transportation and communications industries (shipping, trucking, airlines, telephones) also expect a cut of 10%, to \$2,640 million.

Outlook for 1956

Preliminary plans reported for capital spending in 1956 show that taking all industry together, more than one-half (55%) of companies now expect to spend about as much for new plants in '56 as in '55, while 21% expect to increase capital spending and 24% to cut it down.

Companies in almost all industries are optimistic about their sales prospects for the next year, with 66% of firms in the manufacturing category expecting sales to pick up and only 8% anticipating a decline.

This annual survey of preliminary capital spending plans made by McGraw-Hill covers all industry except trade, finance, construction and service. Companies cooperating in the survey employ more than 60% of all workers in the group of industries where capital spending is highest, and between one-quarter and one-third of all the workers in industry.

*From an address by Mr. Hilton at the Annual Convention Luncheon of the American Hotel Association, New York City, Nov. 5, 1954.

Trust Services and The American Economy

By HOMER J. LIVINGSTON*

President, American Bankers Association
President, First National Bank of Chicago

Asserting trust services are an integral and vital function of a society where men and women can own, manage, conserve, and dispose of property, chief executive of American Bankers Association points to the billions of property value handled by trust companies and banks. Reviews growth of trust services in relation to our economic development, and traces development of corporate trust companies. Stresses significance of increase in pension trusts, and praises competency of the trust companies.

The trust services of this nation today reflect in a striking and unusual manner the significant struggle in which the economic and political forces of the world are engaged; for trust services find their greatest development possible only in a nation where free, private enterprise flourishes as it does in the United States.



Homer J. Livingston

There is little if any need for such services in a society where the ownership of wealth is the privilege of the state, where the right of individuals to save and to accumulate wealth is restricted or denied, and where the means of production and distribution are the sole property of the government. In any society where men cannot, subject to the rights of other men, freely own, freely use, and freely inherit private property, freedom as we know and cherish it has perished. In that society, trust services would serve no constructive purpose.

However, trust services are an integral and vital function of a society where men and women, can own, manage, conserve, and dispose of property.

In the United States, the right to go into business, to conduct a business in an honest manner, and to have and to hold the results of one's labor, ability, courage, thrift, and hazard are unchallenged. The right to be in business, to own and manage, to earn and hold, is freedom, is independence, is America. From the time of the establishment of the Republic, our private enterprise, free economy has succeeded beyond the dreams of its founders. It has become the world's finest illustration of how a people given approximate justice, stability, liberty, and incentive, can enrich life and raise their whole level of economic well-being. Out of these historic developments the need for trust services has grown. Steadily socialize a nation's economy, needlessly restrict incentive, abolish private enterprise, and you destroy the broad foundation not only of trust services, but also in an even larger sense the bedrock of the American economy and a free society.

Sometimes it is good to stand back from the routine of the day's work and see these great perspectives. Sometimes we need momentarily to put aside the multitude of problems with which we are so busily occupied and take a broader view. There are the perplexing questions each day of selecting the proper investments for each trust. There are the complex matters associated with managing property. There are the difficult decisions of how best to protect the interests of children

until they gain control of their inheritances. These and countless other problems for which there are no ready-made solutions flow in an endless stream across our desks from morning until night. There is a pressing sense of urgency about them. They deal with the lives and fortunes and hopes of men and women and children. But I submit that at least occasionally we need to set these problems in their proper framework, which is the vital role trust services play in maintaining a free society.

When one considers the tens of billions of property in all the trust departments and trust companies in the United States, one begins to understand how trust services reach into the most remote segment of the American economy and contribute to the welfare of our people.

How Need for Trust Services Arose

Let us look back for a moment at the economic history of the United States, and see how the opportunity and the need for trust services have grown step by step with the nation's remarkable economic growth. In the rise of the national economy, we have not only one of the amazing chapters of our history but also the foundation for the development of the nation's trust services in all their complex variety.

With the adoption of the Constitution in 1787, a free people began to make those contributions to world progress that constitute so staggering a record of achievement. They began also to build material wealth that was to create a steadily increasing demand for trust services. Liberty, opportunity, free enterprise, and private property were no mere catch phrases. They were realities. Out of this dream of freedom of enterprise, the right to private property, and the right to the profits of personal enterprise were to come an exhaustless fountain of progress.

Way back in 1787, Fitch had built a steamboat. Twenty years later, Fulton had steamed up the Hudson; and by 1825, the 363-mile Erie Canal to the West came true. It was the first gateway to a great new empire. No one then had ever heard of multimillion-dollar, six-lane, concrete throughways. In 1803, Jefferson, at one stroke of his pen and for only \$15-million, doubled the original area of the United States. In 1825, lands around Chicago could be had for \$1.25 an acre. Then began the march of the pioneers up the Erie Canal and down the lakes. From 1820 to 1840, the population of Illinois grew from 55,000 to 476,000, Indiana from 147,000 to 685,000, and Michigan from 8,000 to 212,000. The growth of Chicago literally skyrocketed from a huddle of cabins in a swamp by the river mouth to 30,000 persons by 1850 and 110,000 ten years later.

On July 4, 1828, ground was broken for the first railroad. Within ten years, there were 2,300 miles of railroads worth \$75-million; and "Yankee rails," as they were called, were traded on the London Stock Exchange. Slowly

but surely, the pioneers were saving and creating capital to produce wealth which was to enrich the average American beyond the dreams of Europe and Asia. By 1830, there were 9,000 miles of railroad; and by 1860, the railroads crisscrossed the eastern half of the nation and were a billion-dollar industry. Only nine years later, with the nation's population at 40-million, the first railroad spanned the entire continent. The forward strides of the industry then became gigantic. By 1900, railroad capitalization was \$11½-billion; today it is almost \$19-billion.

Simultaneous with this development came the growth of manufacturing industries and with it the corporate form of organization to simplify the task of raising larger and larger sums of capital. Foreigners were pouring money into our industries; and as early as 1869, they held \$1½-billion of our securities. By 1860, manufacturing was the most important industry after railroads, with \$900-million of invested capital. By 1925, the capital invested in manufacturing had soared to \$57-billion, an increase of over 5,000%. Today we have an estimated \$115-billion invested in 321,000 manufacturing establishments.

Even as late as 1867, only 15 industrial stocks were listed; but there were 63 rails on the New York Stock Exchange. For the trust official to select the best listed industrials in those days must not have been exactly an exhausting task requiring a large staff of analysts. In the listed securities of those days, there were no chemicals, oils, utilities, electrical equipments, rubbers, automobiles, heavy machinery, or mail-order concerns. But by 1913 there were 191 listed industrials. Today there are over 1,530 stocks and 984 bonds listed on the New York Stock Exchange and 520 stocks listed on the Midwest Stock Exchange. The problem of trust investment becomes increasingly complex and requires unusual competence and specialized knowledge. Up until the turn of the century, American industry was owned largely by a comparatively small group of investors. Today 8½-million Americans are share owners. One great company alone has increased its shareholders from approximately 7,500 in 1900 to 1,300,000 today.

The large volume of corporate security financing is revealed in the figures of new and refunding issues, which have been running \$5-, \$6-, and \$7-billion a year, and in 1953 were over \$10-billion, in addition to which we had \$5½-billion of state and municipal issues.

The development of transportation, commerce, and manufacturing went hand in hand with the growth of American banking. The country began with only three chartered banks. By 1816, there were 250. Gradually, with Yankee thrift, the banking structure grew until there were 600 banks with \$102-million in deposits in 1834. In 1875, the nation's banking deposits were \$2-billion; in 1900, they were \$8½-billion; by 1925, almost \$52-billion; and today, \$200-billion. Since 1900, the capital structure of the nation's banks has grown from less than \$2-billion to \$18-billion.

Insurance, which is closely related to so many aspects of trust services, has had an equally remarkable record. As late as 1900, all life insurance companies had total assets of only \$1½-billion. But by 1925, the total was \$11½-billion; and today it is over \$82-billion. Insurance in force of over \$320-billion today has more than doubled in only ten years, and three out of four American families now own life insurance.

After the turn of the century, one great industry after another made its contribution to the nation's economic progress. To paraphrase a current expression, there was a tremendous rolling adjustment in the economy in which industry followed industry in moving forward to expand and enlarge our industrial structure. In 1900, there were only 8,000 passenger automobiles registered; in 1910, there were 458,000; in 1920, 8-million; in 1940, 27-million; and today there are over 45-million.

On that day in December 1903, when the Wright brothers took a contraption of wood, cloth, and metal and flew it for 852 feet under its own power, another great industry was launched to revolutionize life in America and over the world. Six years later, planes were traveling 50 miles an hour. But air traffic was still nonexistent in 1920. By 1937, transport planes were speeding 200 miles per hour. Today the airplane is a huge projectile weighing tens of thousands of pounds and tra-

veling hundreds of miles per hour, carrying passengers, mail, and freight. With airports now in over 5,600 communities across the continent, some humorist has defined a small town as one whose airport cannot accommodate a DC 6. Now we have over 1,600 passenger planes in the United States consuming almost a billion gallons of gas a year. The civilian aircraft production of the industry last year amounted to \$340-million.

Products and Services Revolutionized

In every industry in the last fifty years, the inventive genius of free men has revolutionized products and services so rapidly and so extensively that the hazards experienced by the commercial banker extending credit and by the trust officer in managing property and making investments have been greatly multiplied. Veneration of the past has become a questionable virtue.

Look briefly at some of these changes in only the last fifty years. In communication, we have had the radio, television, talking pictures, and dial telephones. In transportation, we have had the airplane, Diesel electric locomotive, tubeless tire, helicopter, jet propulsion, and the supersonic airplane. In agriculture, the gasoline tractor, the caterpillar-type tractor, hybrid corn, and the mechanical corn and cotton pickers have been only a few evidences of our progress.

In everyday living, America's gigantic productive capacity has provided almost every conceivable type of electric and gas appliance, quick frozen foods, and completely prefabricated houses. In medicine, we have Vitamin D, the iron lung, penicillin, cortisone, and countless new products. In the military, we have had radar, rocket bombs, great new planes, and the fearful destructive power of the atom and hydrogen bombs. In industry, we have had new plastics and synthetics — rayon, nylon, dacron, orlon, and rubber — new processes of cracking gasoline; electronics; and, finally, a seemingly infinite field of new energy with the liberation of atomic power. Industrialism is only now beginning to become of age. To invent, to improve, to

Continued on page 33

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*An address by Mr. Livingston before the 23rd Mid-Continent Trust Conference, sponsored by the American Bankers Association Trust Division, Chicago, Illinois, Nov. 4, 1954.

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market boom, set off by the election, continued this week to show enough buying enthusiasm to indicate that it won't be long before the historic highs of 1929, at least as measured by the Industrial Average, are eclipsed. But the great enthusiasm which, to a good share of the market students seems a bit overdone, finally ran into some trouble when the industrial index pushed to within 10 points of the fabulous peak of a quarter century ago.

But the rise was accompanied by some doubts. For one, the lay public and the institutions weren't overly prominent on the buying side, and it seemed largely to be a quirk of the misleading average and the machinations of the traders that kept the picture so ebullient. Nevertheless, some of the strides were awe-inspiring. Issues able to add two to four or more points in a single trading session broadened out considerably, which was both a tribute to concentrated buying attention and generally thin books.

Technical Tests

From a technical standpoint, little remained except to see how far the new market popularity would extend before it ran into skepticism. All previous records, except the 1929 highs, were exceeded and the only limiting factor now is yields, which are still on the favorable side despite somewhat spotty earnings results of some of the major groups such as rails, a few of the steel companies and some of the auto makers, including, necessarily, Chrysler which is being watched closely to see if its comeback will be at all impressive.

Steels on the Move

Steels were prominent on strength when the going was easy. This rested on concrete foundation in view of the rising production rate and the fact that yields in this group are still what might be termed conservative. Bethlehem Steel, helped by speculation over the chances of its merger with Youngstown working out despite anti-trust opposition, naturally was one of the wider movers and its ability to improve by as much as four points on one buoyant session, while somewhat unrestrained, was a signal for the others to move ahead willingly.

The automotive group was somewhat laggard. An expected dour earnings report for the first three quarters from Chrysler kept things a bit cautious and there was no disposition to attempt new 1954 highs although, on the other hand, there was no obvious displeasure among investors. The general attitude seemed to be one of watchful waiting, pending acceptance of the new models by the public.

Rails Advance Unsteadily

Rails, without any important statistical help, forged ahead with the industrials for one of the more rare concerted actions of the year until mid-week when the carriers faltered, largely because of dividend payments rather than any concentrated selling. In fact, the ex-dividend trim on one session was the measure of the loss in the rail average on what was essentially a standoff session with as many issues down as advanced, Atlantic Coast Line's point gain being the widest movement in the section. It left the rail group's performance largely meaningless.

Unlike the industrials, the rails not only are far from equalling any 1929 records but actually have quite a chore even to surpass the highs of 1930. Instead of the meagre gap of a few points ahead of the industrials, the rails have a gap of some 30% to negotiate before the 1930 peak is achieved and more than twice as much ground to cover to equal the 1929 high. Even the most rabid rail followers are making few predictions that this can be done anytime soon.

Utilities Perk Up

The utilities have perked up well following the election but despite rather persistent strength have yet to follow the other indices into historically high ground. They are, in fact, well below the high achieved in August which might be another token of the cautious approach to the market that the sober institutions have taken in the post-election spree. Apart from Panhandle Pipe Line, which traditionally moves in wide arcs, the staid components of this group have put through what is essentially a backing and filling action this week in distinct contrast to the vigor elsewhere.

Aircrafts have had a rather desultory market experience. On strength they have shown

a good speculative following, notably Bendix and Northrop which have been able to sprint ahead with the best of the wide movers, but they have been just as willing to give ground moderately on easiness. Their future fate is problematical, particularly in view of some growing convictions that 1955 results will be hard-pressed to keep up with the sterling results of this year.

Dividend News Important

It was largely a dividend week for individual issues, not the least being the char-grin momentarily displayed by International Paper over a trim in the stock dividend despite the added largess of applying the cash dividend to the additional shares. The issue had been making successive new highs in expectation, but tumbled rather hard on the news.

Stocks connected with building and road construction, notably the cement shares, stood their ground well and forged ahead in good style on general market strength. The rubber issues, helped by all the new-car stress on tubeless tires, were also able to turn in a superior market performance and there was some support for the farm equipment shares which have had a rather protracted stay in the doldrums.

Oils haven't been especially prominent on the latest market upsurge, and their mixed earnings reports have been largely responsible, indicating that there are still domestic difficulties although foreign operations are increasingly favorable. Nevertheless they have been able to contribute a candidate or so to the limelight, not the least being Mid-Continent Petroleum which long since had erupted to historic highs and has the added distinction of having sold at twice its 1946 bull market peak. On the other hand, a rather long group of issues have failed recently to even equal the 1946 standing despite the high level of the blue-chip average.

Record Market Breadth

At least one record was posted this week. One day's market brought out a total of 1,261 issues which was an all-time record and well above the thousand or so on which the 1929 feats were based. The large growth of listings in recent years has assured that all-time records are to be expected in market breadth.

[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.]

The Steps Needed to Increase International Investment

By EUGENIO GUDIN*
Minister of Finance of Brazil

Brazilian finance official, declaring that question of insufficiency of international investment must be examined with impartiality, cites as justified reasons for discouragement: nationalism and threat of expropriation without compensation; inflation and balance of payments disturbances, and political encroachment. Points out difficulties resulting from transfer of economic leadership from Great Britain to the U. S., including foreign trade's comparative unimportance to this country. Stresses need for tax reform. Urges broader attitude on both exporters and importers of capital.

The subject of international capital and international investments has been so widely discussed, has been the object of so many reports, especially by the United Nations, that one is perhaps somewhat diffident in discussing it with the idea of performing something useful.

If there is any advantage in discussing it, it must be done with an entire impartiality, I think. It is a subject that must be approached on the lines of the great French writer, Renan, who wrote "J'écris pour ceux qui cherchent la vérité"—"I write for those who are seeking for truth."

It must be done with complete impartiality, with no passion. Otherwise, it becomes useless, I think.

First of all, let's see in what respects the underdeveloped countries are to blame.

I think there are three plagues that must be mentioned, one of which I will mention first, because I think it should be excluded. This is the supposed expropriation of foreign or private property without payment. If the standards of conduct of a country are so low that there is a real danger that the property will be expropriated without payment, that country should be excluded from the list to which international capital should flow, and that stops it.

Now, then we come to the two real plagues which I think are serious and should really be considered. The first is inflation. Naturally, as you all know, inflation means a serious disturbance and disequilibrium of the balance of payments.

If the foreign investment takes the form of foreign investment expressed in the currency of the importing country—for instance, if it is American groups that make an investment in Brazilian cruzeiros—then of course the balance of payments trouble which finally results in a devaluation is directly applicable to that investment.

Now, even if the investment is not expressed in the currency of the capital-importing country, the remittance of dividends gives rise to balance of payments difficulties, and makes the situation difficult and unattractive for the investment of foreign capital.

It is curious, I must say, that even some capable economists believe that progress in the underdeveloped countries can only be made under the pressure of inflation and disorder. Even in my country, where our flag has got its special feature—an inscription on it saying "Order and Progress"—there are a good many people who think that somehow progress can only be made with a certain amount of disorder.

The Plague of Inflation

Inflation, I think, is a really very serious plague.

In my country some people call me a deflationist. I have never

*Transcript of remarks by Mr. Gudin at informal panel discussion at Ninth Annual Meeting of the Board of Governors of the International Bank for Reconstruction and Development, Washington, D. C.

been any such thing. Rather to the contrary. One of my great teachers in economics, Professor Denis Robertson, whom you all know, is in favor of what he called the "gentle rise in the price level." I would rather adopt that line than any deflationary line.

Inflation is incompatible with a regular flow of foreign capital because of balance of payments disturbances.

Underdeveloped countries must take the responsibility and must take care of this plague; otherwise they become unattractive to foreign capital.

The second point is of a political nature or psychological nature—the second "plague," I should say—is nationalism. It is curious that while the 19th century was, we may say, as compared to the present century, a century of economic imperialism, it is now in the 20th century that one sees a development of nationalism perhaps stronger and more forceful than what happened in the 19th century. Whereas in this century one may say economic imperialism has practically disappeared, nationalism in some places, in some countries, in some conditions, seems to have become worse than before.

We all have seen the differences between the Mexican Government, for instance, and the oil companies. We have seen the differences between Great Britain and the Iranian Government over the question of oil. But none of us has heard of an American battleship going to Mexico or a British fleet going to Iran.

So the 20th century as compared to the 19th century should not be of a nationalistic mind, since that is, of course, a serious plague for the investment of foreign capital.

For foreign capital to migrate from a developed country into an underdeveloped country it must find a favorable climate and receptivity. Otherwise it has no business to go there. I would conclude, therefore, this part of my remarks by saying, after excluding the possibility of expropriation without payment, that underdeveloped countries should take very great care in getting rid of these two plagues, one of which is inflation and the other is nationalism.

Now let's look at the problem as it exists in the capital-exporting countries. I'm really impressed by the very small amount of flow of capital from the developed to the underdeveloped countries.

Let's take what happened in Great Britain. In the 1880's—1881—1883—in Great Britain, in portfolio alone you find in these days about 65 million pounds, about 330 million of U. S. dollars of a purchasing power which represents today about \$1,300 million a year. That means Great Britain used to supply in portfolio alone around the 1880's about \$1,300 million a year of capital exports. And at that time Great Britain was a country of only 30 million

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Public Utility Securities

By OWEN ELY

Central & South West Corp.

Central & South West is an interconnected and integrated holding company (originally a part of the old Middle West System) serving a population of 2,350,000 in Texas, Oklahoma, Arkansas and Louisiana. The business is now entirely electric, the water and ice services having been sold or leased in recent years. The area served is largely agricultural, but contains a wide variety of natural resources including oil, natural gas, gypsum, sulphur, coal, salt and lumber. The oil and gas industry in its various operations constitutes the largest group of industrial customers, supplying over one-third of System industrial revenues. Other manufacturing activities include chemicals and carbon black, zinc, glass, cottonseed products, ceramic material, cement, brick, etc. In the past few years industrial activity has been stimulated by the Federal Government's defense program.

System revenues have about doubled in the postwar period. The electric load is well balanced, with residential revenues contributing about 37%, commercial 27% and industrial 27%. Growth in some areas has been handicapped by persistent drought conditions in the western area, but this condition was alleviated somewhat in 1954, and operations of the four subsidiaries cover such a wide diversity of terrain that drought conditions have not had any serious overall effects on earnings. In the Rio Grande Valley the Falcon Dam, the first of three to be constructed for irrigation purposes, has proved very valuable, and is now at its normal operating capacity.

Principal cities served with population of over 50,000 include Tulsa, Okla.; Shreveport, La.; and Corpus Christi, Abilene, San Angelo and Laredo in Texas. The franchise situation is satisfactory, with no near term expirations in larger cities.

The capital structure has been improved in recent years, and the equity ratio now approximates 33% which is close to the U. S. average. The investment status of the common stock is indicated by the fact that about one-third of the issue is held by institutions and bank nominees, some 134 institutions being listed as holders.

The system has had a substantial construction program under way. Expenditures in 1954 are expected to total \$52 million, but with the recent gain in peak load next year's budget will increase to \$72 million, and for 1956 is estimated at \$70 million. 132,000 kw. new generating capability will be installed next year and 300,000 kw. in 1956 (including a 160,000 kw. unit at Tulsa). System capability, including firm purchased power, is now 1,350,000 kw. but by 1956 will reach 1,730,000 kw. compared with an estimated peak load for that year of 1,580,000 kw.

Central & South West last sold common stock in March, 1953, but another offering of about 600,000 shares will probably be made in the first half of 1955. Three of the subsidiaries are also planning preferred stock offerings—\$7.5 million by Central P & L, in December; \$10 million by Public Service of Oklahoma around March, and \$6 million by Southwestern Gas & Electric in the Spring of 1955. 1956 financing will be through bond issues—no equity financing is planned for that year. By the end of 1956 capitalization will probably be about as follows: debt 54%, preferred stock 13%, common stock equity 33%.

The table below shows the common stock record; dividends have increased in every year but one in the postwar period. The rate was recently raised from \$1.16 to \$1.32. Earnings for the 12 months ended Sept. 30 advanced sharply to \$1.90, up 14 cents from last year. About 6 cents of this gain will be due to elimination of the 2% holding company tax. In addition to the gain in reported earnings, there are cash savings from accelerated (five-year) amortization, which it is estimated will exceed \$15 million over the period in which taxes are deferred (of which about \$1.2 million was obtained in 1953 and \$2 million in 1954).

In the quarter ended Sept. 30 share earnings amounted to 75 cents a share, due largely to a record-breaking air-conditioning load for two subsidiaries, plus gains in industrial business. Tulsa had 45 days when the temperature exceeded 100 degrees, and over a wide area the weather was the hottest in 50 years. Apparently many customers now consider air conditioning a necessity rather than a luxury, but sales of appliances have not yet reached the point of saturation. Hence, even though the past season was abnormally hot, sales of additional appliances may tend to sustain the summer load. Moreover, a number of heat pumps have been installed in the area, and major manufacturers are actively pushing this appliance. Use of the heat pump for both cooling and heating will provide a better balanced year-round load and tend to increase the annual load factor of the system which has been somewhat reduced by the summer air conditioning load.

No forecast of 1955 share earnings is available, but President Osborne, in a recent talk to a group of analysts, indicated that in his opinion the company should be able to absorb the dilution due to the new issue of common stock next year, as well as the handicap imposed by substantial preferred stock financing.

Year—	Revenues	*Common Stock Record—		
		Earnings	Dividends	Price Range
1954-----	\$101,000,000	\$1.90†	\$1.20‡	29½ - 23½
1953-----	96,000,000	1.72	1.04	24 - 18½
1952-----	88,000,000	1.60	0.95	21 - 16½
1951-----	80,000,000	1.34	0.90	17½ - 13½
1950-----	73,000,000	1.44	0.90	16½ - 12
1949-----	67,000,000	1.40	0.83	14½ - 10½
1948-----	62,000,000	1.38	0.75	12 - 9
1947-----	55,000,000	1.38	0.35	12 - 9
194-----	50,000,000	1.22	---	---
194-----	49,000,000	0.66	---	---
194-----	47,000,000	0.65	---	---
1943-----	43,000,000	0.73	---	---

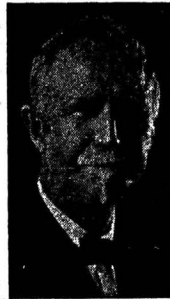
*Based on shares outstanding at end of each period. There are presently outstanding 9,091,257 shares. †12 months Sept. 30, 1954. ‡Year ending Dec. 31, 1954. ¶To Nov. 7, 1954.

A New Slant in Forecasting

By ROGER W. BABSON

Mr. Babson, commenting on studies in Psychological Strategy by the German and other governments, including our own, foresees scrapping of present methods of forecasting. Says in his studies of fundamentals, he wants to learn what consumers, investors, and labor leaders are thinking, and what they are going to do, and this will enable the forecasting of business, commodity prices and stock market action.

Last week the Babson Organization celebrated its Fiftieth Anniversary. Famous speakers and about 2,000 clients, friends, and guests were present. Readers have seen references to these addresses in the press, but I have saved my remarks exclusively for this column. Here is the story:



Roger W. Babson

When I last visited Monte Carlo, Monaco, to look on as a spectator, I was required to give my business card before entering. The only card I had referred to me as a statistician. As a result, I did not get into the gambling casino. I tried a second and third time, but with no better results. I then went to the general offices of the company to find out the reason why I was not admitted. This is what I found:

The French Government had learned that the German Chiefs of Staff, just before the German armies collapsed in 1945, had made marked studies in what is known as Psychological Strategy. It is said that this is what enabled the Germans to nearly break through at the time of the famous "Battle of the Bulge," which was stopped by Montgomery and Patton. The super-super mathematicians of Germany had figured out in advance that it would be possible to break through at that time, in view of what the American Generals were thinking and counting upon.

What the French and Russians Are Doing Today

The French are now making great progress in such studies. It was because of these known studies that the "Bank" at Monte Carlo was becoming frightened of statisticians and mathematicians. I now learn that the U. S. Navy and Air Force have taken up these studies, with the help of the Princeton Institute for Advanced Study. In fact, from this Institute, President Eisenhower has just taken the super-super mathematician John von Neumann and appointed him to the Atomic Energy Commission.

While these super-super mathematicians have been studying how to ascertain in advance what the Chiefs of Staff of enemy armies are thinking and planning to do, a group of younger statisticians led by J. C. C. McKinsey have been studying games—from poker to chess. McKinsey has even written a book on the subject entitled "Introduction to the Theory of Games." Next to the possibilities of uranium, this ability to figure out in advance what your enemy is going to do is the hottest subject in Washington today.

Forecasting Business and the Stock Market

The past Fifty Years I have given to the study of Charts, Tables, Earnings, and other tangible records of past events. From now on my able associates, who now know more about such things than I do, will carry on this orthodox work. I will devote the next Fifty Years to the study of the fundamentals.

While the super-super mathematicians are learning how to tell what enemy Admirals, Generals, and Strategic Boards are think-

ing and going to do, I want to learn what consumers, investors, and labor leaders are thinking and what they are going to do. This will enable me and my successors to forecast correctly what business, commodity prices, and the stock market will do. It will also enable the forecasting of style changes, political events, and even crime waves.

What the Result Will Be

Most present forecasting will be scrapped. The stock market will then fluctuate only a little more than the bond market does today. Individual corporations, separate industries, and even some localities will continue to suffer from the Law of Cycles. These will have their big "ups and downs" but, with this advanced knowledge, the National Business Cycle will be flattened out.

Remember: Newton's Law of Equal and Opposite Reaction does not state when the reactions will come or how big they will be. His law simply says that to the extent that we go above normal—mechanically, chemically, socially, politically, and economically—we must rest a corresponding amount in area. This will continue to be true.

F. L. Chapman Pres. Of Barrett Herrick Co.

Frederick L. Chapman, formerly Executive Vice-President, has been elected President of Barrett Herrick & Co., Inc., 35 Wall Street, New York City, investment firm, succeeding Barrett Herrick who passed away Oct. 29.

Mr. Chapman, who entered the investment business in 1920, joined Barrett Herrick in 1938. Earlier in his career he had been associated with such firms as Spencer Trask & Co.; The Guaranty Company; Redmond & Co. and the Chatham-Phoenix Corporation.

He attended Williams College and served as a first lieutenant, infantry, in the U. S. Army during World War I.

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November 9, 1954.

Convertibility—What It Means To the American Exporter

By FRANZ PICK*
Pick's World Currency Report

Mr. Pick, in commenting on the impediments of fluctuating non-convertible currencies to foreign trade operations, holds, in spite of such aggravating and frustrating experiences, the worst is over, and, globally speaking, substantial progress has been made in the domain of currency reconstruction. Reviews progress toward convertibility in principal nations and the gradual easing of international trade restrictions. Says sellers' market will vanish with convertibility of sterling and other monetary units, and this throws the credit risk, because of competition, in the exporters' lap.

All you have suffered since the late 30's from the inflationary problems in every country of the world, including the United States. Many of you have gone through the often unexpected blocking of export receipts abroad. You have suffered from sudden state bankruptcies for which the public relations managers of Central Banks use the innocent sounding names of "legal devaluations" or of "currency alignment." You all have experienced how excellent and profitable export deals finally vanished into nothing when the famous "allocation of foreign exchange" was refused by the officials of the importing country. And quite a number of you have worried when a carefully prepared triangular clearing deal literally vanished into thin air, only because a minor currency or import regulation was changed in one of the three countries involved in the transaction.



Franz Pick

But in spite of such aggravating and frustrating experiences, which might repeat themselves again and again, I am very happy to tell you that, to my mind at least, the worst is over. We have made—globally speaking—substantial progress in the domain of currency reconstruction and we are today on

The Road to Convertibility

To be on the road does not mean that one reaches destination. But, it is so much of a progress as compared to the situation of last year, that it inspires me with more than lukewarm optimism. Many of you might remember that last fall I was privileged to talk to you about the 2,800 Clearing Currencies which had covered world trade with a labyrinth of rules and regulations. The average exporter simply would not jump over these high hurdles and often had to give in before the deal started.

Since then, many things have happened that eased world trading to quite some degree. And these things did not happen on our end of the business, but abroad, and were not exactly the result of our trade policy which, as you all know, is on the defensive.

The change in the world's export picture started to develop at the beginning of September of last year. At that moment, and to the amazement of experts as well as of amateurs, the Soviets started to sell gold, silver and platinum in Western European markets in order to acquire sterling balances. This sterling was needed by Moscow to acquire consumer goods; wool, butter, textiles, chemicals, surgical and pharmaceutical supplies, which the British Common-

wealth was ready to sell them and which they could not get from us.

The Russians, within 11 months, sold about \$340,000,000 worth of precious metals to Britain. If you look at these transactions with a cold mind, you will agree with me that England simply sold goods and services mostly against gold to the Soviets. To export against gold payment has been and is the dream of every Central Bank management. The British Treasury, under the extremely brilliant leadership of R. A. Butler, Chancellor of the Exchequer, acted immediately upon this unexpected windfall. With every sale of precious metals to London, England's foreign exchange reserves rose in volume, and, what was more important, the demand for Transferable of Commercial Sterling increased. Therefore, two powerful forces pushed the tide of monetary consolidation in the Commonwealth which accounted for more than 40% of the world trade.

The British currency management, first encouraged by this trend, took, if I may say so, its courage into two hands and prepared a daring currency reform, which became law on March 22 of this year. Until March 19, not less than 89 different sterling varieties were in existence. They were one of the most aggravating complexes for every foreign trader. It needed more than traditional dealers' skill to distinguish between 18 different transferable accounts and 25 different bilateral sterling, not to speak of 20 Country-to-same-Country sterling or eight Unclassified Accounts, etc.

These 89 sterling varieties were merged into only nine different categories on March 22, and the Transferable Pound, including sterling balances belonging to all countries outside the Dollar Area, became freely transferable in the non-dollar world. In addition to the sterling-unification, Britain reopened the London gold market for transactions of all people residing outside the Sterling Area. This latter decision made the U. S. dollar legally convertible into gold—in London.

Chancellor Butler's currency reform was the most important event in post-war currency reconstruction and I believe that it will get as much historical consideration as Oliver Cromwell's famous Navigation Act of 1651, which established England's merchant marine's supremacy on the seas for many centuries.

The simplification of commercial sterling transfers increased Britain's foreign trade rather substantially since April of this year and led to many other relaxations of currency restrictions in the Commonwealth. The freeing of the cotton and metal markets shifted the center of world tendency of these commodities back to England and automatically increased British dollar receipts. Rationing in the British Isles came to an end in July and showed a robust sterling that functioned in limited liberty without relapse.

It was an organic development to extend the effects of the Cur-

rency Reform of March and to strive for even more liberty. Russia continued to sell precious metals for sterling. Britain's currency reserves had risen from \$2,500,000,000 in August 1953 to over \$3 billion in May 1954. It, therefore, was reasonable to face the next step; namely, to make sterling convertible for all non-residents, which means for all international trading.

Another reason to make sterling more elastic was the resurgent German foreign trade. The undivided Reich exported about 5½ billion marks worth of goods and manufactured products in 1938. Western Germany's exports in 1950 were 8¼ billion marks. For 1953, they rose to over 18¼ billion. Present estimates, based on the exports of the first eight months of this year, have reached 21½ billion marks, or about 4½ billion U. S. dollars. Germany has become, after the U. S. and the United Kingdom, the third ranking export country in the world. And, aided substantially by a system of automatic export insurance that we do not have in the U. S., the German trade has become more than noticeable in many countries which formerly bought most of their import goods from England or the U. S.

Furthermore, the Deutsche mark, magnificently administered by the former Professor of Currency Theory, Dr. Ludwig Erhard, had nearly become hard money in the spring of this year. From the moment Britain started to plan more convertibility for sterling, Professor Erhard planned to enter the Deutsche mark in the race, the winning of which would literally mean more billions of export trade, more attraction of foreign investment capital, more prestige and more employment for Western Germany.

This passionate race towards convertibility seemed well under way until the end of July of this year. Then a few, at first unnoticed, events took place.

On Aug. 10, the Soviets stopped selling gold in Western European markets.

A Gallup-poll in England showed the possibility of strong labor majority if and when new elections would be held in Britain.

The conservative press in London began to find flaws in Mr. Butler's convertibility plans. The very influential "Economist" started to preach prudence. So did the "Financial Times," the London "Eanker," and a few other publications.

But Germany, uninfluenced by such tendencies of British public opinions, continued to push its currency nearer to freedom. On Sept. 16, Bonn abolished the famous Sperrmark and replaced it by a "liberalized capital account," which is practically convertible into sterling, as well as into all other European Payment Union currencies.

To take this step, exactly one week before the Annual Meeting of the 58 governors of the International Monetary Fund started, showed Professor Erhard's strategy clearly. He already knew that Chancellor Butler of Britain could not proceed with his convertibility plans for sterling.

The I. M. F. Meeting in Washington, therefore, was some sort of a dead duck before it started. In place of expected sterling improvement toward non-resident convertibility, Governors and guests got a presentation of prudence and perhaps well-founded British hesitation to jump into the not always kind waves of currency freedom.

And the most important men who could have given Britain all the missing links to convertibility were:

(1) Hugh N. T. Gaitskell, former and probably future Labor Chancellor of the Exchequer.

(2) The unknown Soviet expert

who handles Russia's gold exports, and

(3) The Red Chinese Minister of Trade, who probably already knows how much Peiping is going to buy from the West.

Could Mr. Eutler have known whether Mr. Gaitskell, if and when returning to Whitehall, could continue his currency policy or progressive strengthening of the pound and of eliminating controls generally dear to the Labor Party, and

Could he have known whether Russian gold would again pour into the vaults of the Bank of England and increase British exports and, finally,

Could he have known more about the hotly contested China trade, it would have been possible to make sterling convertible for non-residents and to scrap whole books of British currency regulations immediately after the I. M. F. meeting.

But, he did not know. Nevertheless, it is my personal opinion, based on a long conversation with the Chancellor, that convertibility is far from being buried. If I may use a not exactly classic comparison, I would like to say that sterling convertibility has, instead of being unwrapped, been put into the refrigerator, but not into the deep freeze.

Professor Erhard, not impressed by the British postponement of which he seemed to be critical, made no secret of his plans, which can be summed up in his own words as "a relentless drive for non-resident as well as for resident convertibility of the Deutsche Mark within the next month." He did not answer my question as to whether a complete convertibility of the mark would force Holland, Belgium and perhaps also France to become completely convertible too.

The Present Stage

The present stage of currency world affairs after the I. M. F. meeting should be considered in an optimistic way. There cannot be any doubt that mark and sterling, most important units after the dollar, are "en route" toward more and more freedom of Transferability. As the world trade of the dollar area, the sterling area and the Deutsche Mark accounts for nearly 70% of all exports and imports at present, the convertibility stake is of highest importance, politically, financially and economically.

Let us here make a comparison with the situation of October, 1953. At that time no reasonable banker would have expected that the famous "Dollar Gap" would disappear before July, 1954, that the Sperrmark could cease to exist and that sterling could reach "pre-convertibility stage."

Nobody would have dared to forecast the substantial increase of world trade that took place during the last 12 months.

You would have been considered some sort of fool if you would have expected that Britain was going to re-open her gold market in March and to even deal in gold for future delivery in September.

Today we discuss openly the timing and the higher details of coming convertibility.

That is quite a difference. And every changing era brings new opportunities.

It is my belief that the horrible period of currency destruction, which lasted from Sept. 1, 1939 until the British Currency Reform of this year, has changed into the era of monetary reconstruction. We had about 90 or more fraudulent state bankruptcies during these 15 years, and even if there are still a few more to come in South America, in East Asia and in Southern Europe, the worst is over and we can surely take it from now on.

We are not only entering the

era of currency reconstruction, we are also moving toward more to open trade, toward easier conditions of monetary transfer and, certainly also toward more competition.

Therefore, it might be useful to try to analyze the strong eventuality of convertible sterling as well as of convertible D. Mark, Guilder and Belgian Franc. Once these currencies become convertible, other units, namely the Scandinavian currencies, the French Franc, the Italian Lira, and the Austrian Schilling will have to join.

The reaching of commercial transferability on a world-wide basis will finally force these countries to fight for new customers and export drives of as yet unseen intensity will probably be undertaken. The drive for South American markets will continue and there cannot be any doubt about a parallel drive for the export to the countries of the Soviet orbit.

All such drives are going to be based on long term credits, of which the German and the Japanese have already given us a few samples of tactics. Three to five and in some cases 10 year credits, skillfully backed by Central or Commercial Banks in the exporting countries, have taken many important export deals away from the U. S. and brought new orders to Dusseldorf or to Osaka. This tendency of long term credits is probably here to stay. It will be enforced by Britain's export drives and by British Banks when convertibility becomes a sterling quality.

As we in this country, with our enormous capacity to produce will not like to limp behind British, German or other traders, we will have to compete with them. We will have to take risks that we could not afford to take as long as we were in a sellers' market. This sellers' market will vanish with the convertibility of the sterling, mark and other units. I would even like to say that it has already started to vanish.

The disappearance of currency risk, a wonderful by-product of convertibility, will, let us face it, throw another risk into the exporter's lap: the credit risk. There cannot be any doubt that all large export deals will have to meet with long credit terms offered by nations that need the business more than we do.

Therefore, we will have to extend credit on longer than present terms in order to meet competition.

Are we equipped to do so? I am afraid to answer in the negative.

The last 15 years have spoiled us very much. Only we could deliver the goods from nylon to Cadillacs and those who wanted them had to put up the cash in the U. S. The Administration financed only exports of surplus commodities, from tobacco to cotton.

Now, other nations, with soon to be convertible monies, produce perlon, penicillin, Volkswagen, Rolls Royce or turbo jets, which are or will be available on good credit terms, backed by export credit insurance and by cheap discounts of such long term export drafts.

We, therefore, need not only an institution in this country to sell export credit assurance; we also need quite a number of so-called merchant bankers who would specialize in financing foreign trade, as the banks in England, Germany and Holland do.

We will have to take more risks than we did until now. It will be up to management of large corporations, as well as of smaller export firms, to accept longer than usual credit terms. We still can do a lot of export business to Western Europe, the Sterling Area countries, to South America and to Asia, if we accept the cus-

*An address delivered by Mr. Pick at the Luncheon Meeting of the Export Managers Club of New York, New York City, Oct. 19, 1954.

tomers' credit terms. If we don't accept—others are going to close the deals.

World trade, as I have already said, is expanding. We have goods to deliver, but we will have to try to understand that the best American product, payable within short periods and at high prices, will often lose against a proposition of lesser quality, at lower price and at long term credit.

We, therefore, will have to prepare for more aggressive export drives for the customer.

Such an adaptation will need new sources of trade information, new credit organizations and more help and understanding from our commercial banks, whose foreign departments still cannot help you to set up a triangular clearing deal.

As you can see, convertibility, as desirable as it is, will present a number of new problems.

I am convinced that in the long run you will be able to cope with all of them. There might be a delay in adapting new techniques to new circumstances. But, as we have achieved uncontested mastership in domestic market research, we might be able to establish market research on a world-wide basis.

Twenty years ago, it took us more than 20 hours to travel from New York to Kansas City and about 22 days to go from here to Bombay.

Today, you fly in less than five hours from Newark to Kansas City and it takes about 22 hours to reach Bombay from Idlewild.

The world has shrunk. Yet, in spite of the reduction of distances, export trade in this country is still handled in nearly the same style as in the early '30's.

He who rests, rusts! And we do not want to rust.

Let us look at the coming convertibility not as a complication of existing method of U. S. trade. Let us face the fact that soon the dollar will be matched by just as hard other currencies, which will be more elastic than Old Father Greenback.

Let us insist on export credit insurance, more merchant banking and more market information from abroad.

If we get it, you and your colleagues all over the country will be able to outsell many competitors and keep our exports as high as they are.

Phila. Inv. Traders to Hold Supper Dance

PHILADELPHIA, Pa. — The special events committee of the Investment Traders Association of Philadelphia announce a buffet supper and dance to be held at the Germantown Cricket Club on Saturday evening, Nov. 13, 1954, under the chairmanship of John Carothers.

Acquires Lakeside Secs.

CHICAGO, Ill. — Acquisition of all of the stock of Lakeside Securities Corp., Chicago, has been announced by Gerald G. Bolotin, Chicago attorney. As head of the purchasing group, which includes substantial Eastern financial interests, Mr. Bolotin stated that plans are being made to extend the scope of the company's operation and to increase its capital. Lakeside Securities Corp. is an underwriter and distributor, specializing in U. S. Government, state, municipal and revenue securities.

Edward R. McCormick

Edward R. McCormick passed away Nov. 8 at the age of 76. Mr. McCormick was the first President of the old Curb Market when members first began their business as an inside exchange.

White, Weld Offers Templeton Fund Stk.

White, Weld & Co. on Nov. 9 offered publicly 450,000 common shares of Templeton Growth Fund of Canada, Ltd. Price of the stock is \$21.50 per share in transactions involving less than 1,000 shares, with prices diminishing slightly for larger blocks of stock.

The Fund was incorporated on Sept. 1, 1954 under the Companies Act of Canada and is registered under the United States Investment Company Act of 1940 as a diversified management investment company.

Templeton, Dobbrow & Vance, Inc., of New York, investment

counsellors, have been named investment advisors to the Fund.

The Fund has been organized to provide a means by which residents of the United States may invest in securities of companies deriving their income from sources outside the United States, and particularly from Canada, on a basis which offers certain tax advantages over direct investment in such securities.

The Fund expects to concentrate its portfolio principally in preferred and common stocks of companies operating in Canada. It is expected that most of the portfolio will be made up of securities listed on the Montreal, Toronto or Canadian Stock Exchanges. Not more than 5% of the Fund's portfolio may be in-

vested in companies which have been in existence less than three years.

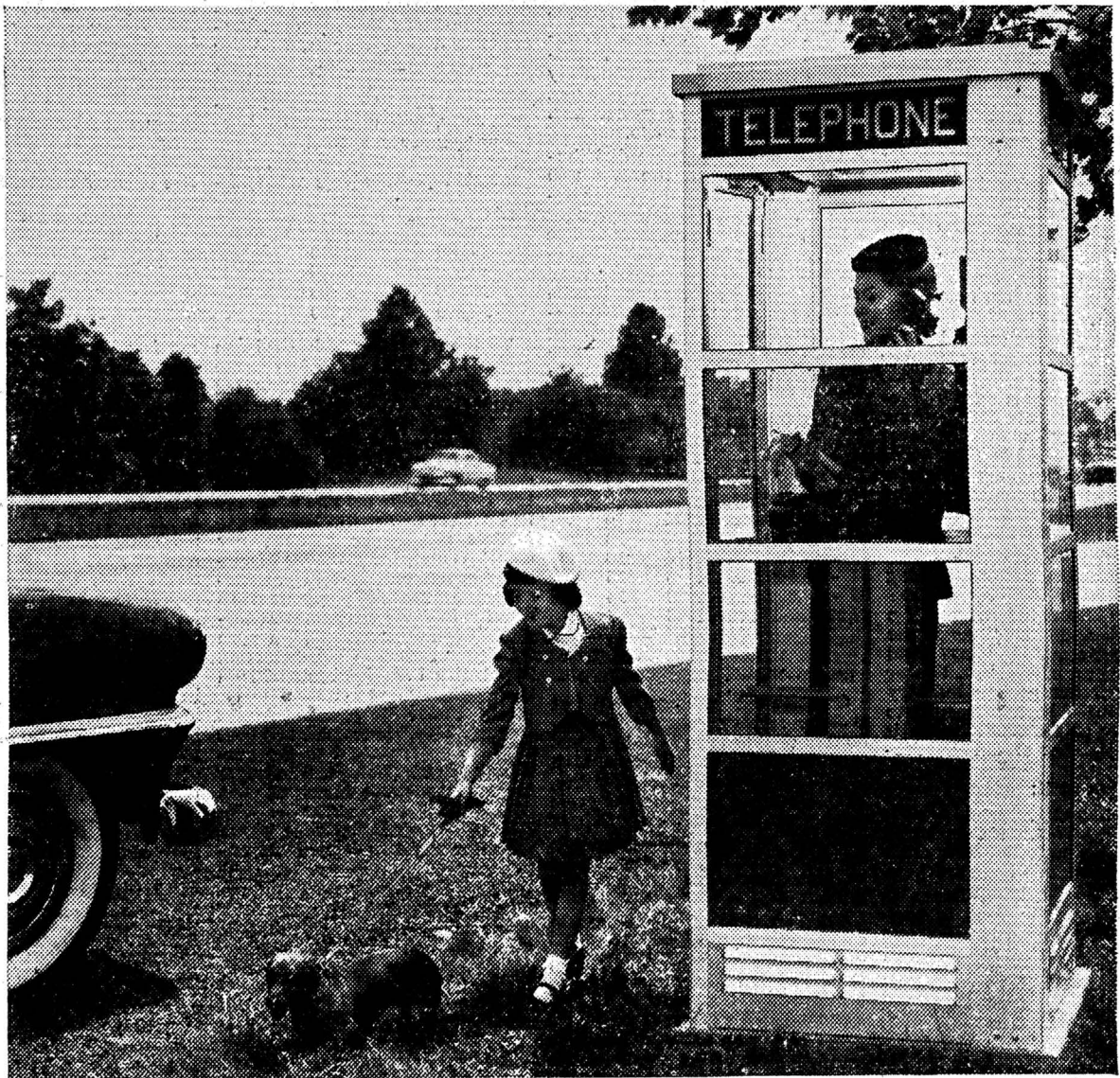
The Fund intends to conduct its affairs so that it will incur no income tax liability to the United States and no substantial tax to Canada.

All net income derived from dividends, interest or other sources outside the United States will be reinvested by the Fund, and the Fund does not intend to distribute any such income, so that shareholders will not receive any taxable distributions.

Directors of the new Fund include: John M. Templeton, President of Templeton, Dobbrow & Vance, Inc.; Wilbert H. Howard, Q. C., Chairman of the Board of Montreal Trust Co.; Robert M.

Fowler, President of the Canadian Pulp & Paper Association and the Newsprint Association of Canada; William Fleming James, partner of W. F. James & B. S. W. Buffam and a director of Eldorado Mining & Refining, Ltd.; Alfred Ogden, President and director of C. Tennant, Sons & Co. of New York; George T. Delacorte, Jr., President and director of the Dell Publishing Co.; William M. Robbins, Vice-President and director of General Foods Corp., and Ogden White, general partner of White, Weld & Co.

Capitalization of the Fund consists of 500,000 common shares and 100 deferred shares all with the par value of \$1 (Canadian).



New *Airlight* Outdoor Telephone Booth—Larger, well-lighted and comfortable. Designed for use in all kinds of weather.

There's Something New in Telephone Booths

There's a new look to the telephone these days. You see it in color telephones for the home and office. Here it is again in the *Airlight* Outdoor Telephone Booths.

They are mighty attractive and comfortable. Well-lighted, day and night. Tip-up directories are in easy reach. There's an ample shelf for packages and handbags. Available

for service 24 hours a day, every day in the year.

These new booths are typical of an accelerated program to broaden the usefulness of the telephone and increase the market for its services. Each of the many developments now appearing creates new convenience and a greater demand for telephone service by more and more people.

BELL TELEPHONE SYSTEM

Reminding you that someone, somewhere, would enjoy hearing your voice today



"Housing Unlimited"

By HUGO STEINER
President, Berkeley-Steiner, Inc.,
Mortgage Financing, New York City

As a basis for continued demand for housing, Mr. Steiner lists:
(1) Americans have become house-minded as never before; (2) population growth has been accelerated; (3) there is an increased marriage rate; (4) there has been a more equitable distribution of income in last two decades; (5) the movement towards the suburbs increases housing demands, and (6) there is an accelerated home replacement trend. Holds FHA and VA mortgages are "an excellent investment medium for long-term capital."

The demand for housing continues with undiminished vigor. Housing starts in 1954 will again top the one million mark, with a tidy margin to spare, for the fifth consecutive year. Current figures point to 1954 as the second best home building year in the nation's history, surpassed only by the peak year of 1950, when 1,396,000 units were built.



Hugo Steiner

Statistics just released by the Labor Department for September show work was begun on 114,000 dwelling units, bringing the nine-month total to 906,500 housing starts—about 5% above the level for the same period of 1953. Signs point to 1955 jumping off to a fast beginning. Preliminary plans suggest another banner year ahead, particularly in the field of private home construction.

What are the factors causing the high level activity in the home building field? Why will a sustained demand continue as the bright star in our economy? And why, given an indefinite cold-war period, will this growth industry continue on a high plateau into the decade of the 1960's, when it will again shatter all existing records?

Let's look at it:

(1) First and foremost, Americans are house-minded as never before. The urge to own one's home is strong in all age brackets.

(2) Another driving factor is our accelerating uptrend in population. For seven successive years, new arrivals have exceeded 3½ million annually; 1954 will witness another record baby crop in excess of four million. By year-end, the stork will have made nearly 40 million trips in 11 consecutive years to American homes and shows no signs of tiring. The following figures bring into sharp focus this dynamic population surge over a span of 30 years. The 1960 estimate is based on a net gain of 2.8 million annually for the next five years:

Year	Million
1930	120
1940	130
1950	150½
1954	163
1960	*177

*Estimated.

The population breakdown for the group 18 years or younger is also illuminating:

Total	Age Bracket
10 million	14-18
27 million	5-14
22 million	*Under 5

*Estimated to end of 1954.

The impact of the rising generation on our economy, in the decade of the 1960's, is dramatically portrayed in these statistics. The increasing number of larger families is an unspoken vote of confidence in sustained high prosperity. They help to maintain this prosperity by seeking larger living quarters; this demand is

now beginning to manifest itself in the request for four-bedroom units from those families which were formed immediately after World War II.

(3) Because our youngsters are marrying earlier and are house-minded rather than apartment-minded, and due to the generally higher level of starting salaries, they purchase homes sooner than was true some years ago.

(4) A more equitable distribution of income in the last two decades has created a broader demand for homes from a wider median income group of wage earners. Note the substantial percentage gain in the \$3,000-7,500 income bracket of our breadwinners since 1929. This distribution of wealth is a strong contributing factor to home ownership and our continuing fabulous growth.

Distribution of Real Income	Per Cent of Families in Each Income Group	
	1929	1951
Under \$1,000	17%	13%
\$1 - \$2,000	24	15
\$2 - \$3,000	24	18
\$3 - \$4,000	14	18
\$4 - \$5,000	6	15
\$5 - \$7,500	9	14
\$7,500 and over	6	7

100% 100%

(Source—McGraw Hill Publications.)

Government sources report average factory salaries in September of this year at \$71.86, just a shade under the all-time high of \$72.36 attained in December, 1953. Compare this with the gross weekly earnings of \$23.25 of workers engaged in manufacturing industries in 1930 and it will be seen that income is up over 200%.

(5) The trek of families from congested urban areas to the suburbs where newer schools and more modern shopping facilities are readily available is still strong. This is the continual search for "lebensraum" and better educational atmosphere for the children that always accompanies the rising standard of living.

(6) As more units become outdated with the passage of time, creating an automatic obsolescence factor, new homes are acquired with more modern conveniences. It has been reliably estimated that this replacement market will require the construction of 3-4½ million new dwelling units in the next 10 years. Assuming a present conservative demand for 200-250,000 units annually, this replacement figure will tend to curve upward as the backlog of dwellings 25 years or older mounts.

(7) As the increasingly older citizens become "pensioners," they seek smaller dwelling units, in various Southern States, where the clothing and heating problems are not too heavy a drain on the family exchequer. Just as the younger people, upon marrying, do not choose to double up, so older folks, upon retirement, prefer to continue life in newer, modest dwellings of their own choice. Southern builders are catering more and more to this group, which shows an eagerness to enjoy the simple pleasures of

life into the late sixties and seventies. What latent possibilities exist, in this respect, are shown by insurance company tabulations pointing up the fact that the average life span of the American people is now 68.5 years (and this expectancy limit is creeping upward), representing a gain of 21 years since 1900.

(8) As the returning Korean War veterans become integrated to civilian pursuits, they too become potential home-buyers. Approximately 1½% (30,000) of this group has exercised its G. I. home loan rights to-date. But their number has swelled to about 5½ million the pool of veterans who may take advantage of the G. I. home loan privilege extended to them by a grateful nation. While the provision to purchase a home under the G. I. privilege expires in 1957, the writer believes the time limit may be extended. Veterans of World War II, who are now in need of larger quarters for their growing families and who are more firmly entrenched economically, will undoubtedly take advantage of the special provision in the Housing Act of 1954. This provision permits vets who pur-

FHA Appraised Value	Down-Payment Prior to 8/54	Present Down-Payment	Present Amount of Mortgage	Monthly Int. & Amort. Plus FHA Ins. Prem.
\$9,000	\$900	\$450	\$8,550	\$46.77
12,000	2,400	1,200	10,800	59.51
15,000	3,000	2,400	12,600	68.92
20,000	4,000	3,200	16,800	91.88

To the figure in the last column must be added 1/12th of the annual local taxes. Assuming yearly taxes on a \$9,000 unit to be \$120.00, the monthly sum to be paid would be \$10.00. Add to this, \$1.00 per month for Insurance (\$36.00 for three years) and the complete monthly charge totals \$57.77. Again, assuming a modest \$22.50 per room, per month rental, for a modern four-room apartment, and the mathematics of shelter payment runs heavily in favor of home ownership. Furthermore, an allowance for Federal income tax deduction is permitted on interest paid on the mortgage and for local taxes.

(10) Under the Housing Act of August, 1954, more liberal terms are also extended to the purchaser of older homes. The buyer can mortgage the house at 90% of \$9,000 of appraised value, plus 75% of the appraisal over \$9,000, with the same limitation of \$20,000 allowed on new homes. Even though the scale of down payments rises somewhat for the purchase of a higher priced older unit, under the new Act, the sav-

ing is still considerable. For instance, the buyer of a \$15,000 dwelling could get a \$12,600 mortgage, under existing regulations, as against \$12,000 under the old ruling.

The "open end" mortgage privilege, common in conventional financing, has now been extended to Guaranteed Mortgages. Remodeling or improvements can now be financed on identical terms with their existing mortgage. The G. I. loan provisions for this purpose have been amended to permit a maximum increase to \$7,500. With the Government pursuing its policy of "active ease" in the money market, this writer believes adequate funds will be available to finance the volume of high level home building activity now assured under the new Act of August, 1954, so that this segment of the economy can still further contribute its widely beneficial effects to the continuing economic health of the nation. Given reasonably prosperous times, the housing market will continue to boom.

With the Government pursuing its policy of "active ease" in the money market, this writer believes adequate funds will be available to finance the volume of high level home building activity now assured under the new Act of August, 1954, so that this segment of the economy can still further contribute its widely beneficial effects to the continuing economic health of the nation. Given reasonably prosperous times, the housing market will continue to boom.

Available in excess of \$173 million on March 31, 1954; to pay losses and expenses. The gross monthly income is currently over \$6 million. This splendid record of achievement has been of inestimable value to the home building industry by bringing within reach of millions of Americans the desirable goal of home ownership. Other countries, carefully noting the soundness of this program, are now projecting similar plans to encourage home building activity.

Union Tank Car Co. Offer Oversubscribed

Offering of 380,000 shares of no par value capital stock of Union Tank Car Company was made on Nov. 9 by an underwriting group headed by The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane. The initial public offering price was \$27 per share. This offering was quickly oversubscribed and the books closed.

These shares are presently outstanding and are being sold for the account of The Rockefeller Foundation which now owns 480,000 shares. No proceeds from the sale will accrue to the company.

Union Tank Car Co. is engaged in the business of furnishing railway tank cars owned by it to shippers of liquid products in bulk, and of building and maintaining such cars in its own shops. About 95% of the company's revenues are derived from shipments of petroleum and its products, the company's cars being used principally for hauls from refineries and from bulk terminal points on pipe lines and waterways to surrounding territory, and for the transportation of products which by their nature are not readily susceptible to movement by water or pipe line. Outside the petroleum field the company leases its tank cars to rail shippers of chemicals, coal tar products, vegetable oils and numerous other liquid products.

Outstanding capitalization of the company at Sept. 30, 1954 consisted of \$25,000,000 of bank loans, due 1956-1959; \$20,000,000 of 4½% sinking fund debentures, due 1973; \$1,650,000 notes payable, due 1955-1957 (Canadian currency); and 2,153,594 shares of no par value capital stock.

Other members of the underwriting group include Smith, Barney & Co.; Blyth & Co. Inc.; Gloré, Forgan & Co.; Harriman Ripley & Co. Inc.; Kidder, Peabody & Co.; White, Weld & Co.; Hornblower & Weeks; Paine, Webber, Jackson & Curtis; and Dean Witter & Co.

Elected Directors

John L. Loeb and Mark J. Millard have been elected directors of Union Sulphur & Oil Corp., it was announced by Richard T. Lyons, President. Mr. Millard also will serve as a member of the executive committee.

Both are partners of Carl M. Loeb, Rhoades & Co., members of the New York Stock Exchange.

With Reynolds in Carmel

CARMEL, Calif.—Fred H. Kurz is with Reynolds & Co. in their Carmel office, Jorgenson Building, as registered representative. In the "Chronicle" of Oct. 14 it was reported that Mr. Kurz was with the firm in San Francisco. He was formerly with Dean Witter & Co. in Fresno.

With Betts, Borland Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Potter H. Carroll has become associated with Betts, Borland & Co., 111 South La Salle Street, members of the New York and Midwest Stock Exchanges. In the past he was with Farwell, Chapman & Co.

Breakdown of Units and Amounts Insured Under Various Titles and Sections of Federal Housing Administration* and Veterans Administration as of March 31, 1954

Title and Section	No. of Units	Amount Insured
Title I Section 8	18,051	\$39,750,000
Title II Section 203	2,735,870	17,068,000,000
Title II Section 207	65,552	329,000,000
Title II Section 213	34,199	325,000,000
Title VI Section 603	628,014	3,661,000,000
Title VI Section 608	469,598	3,450,000,000
Title VIII Section 803	72,689	586,000,000
Title IX Section 903	42,905	378,500,000
Title IX Section 908	7,604	56,750,000
Pre-fabs and others		17,000,000
VA Sec. 501	4,074,482	\$25,961,000,000
	3,380,000	\$23,450,000,000

*Insured Mortgage Portfolio, Summer Issue 1954—Vol. 18 No. 4.

This writer, who specializes as a broker in FHA and VA mortgages, on a nationwide basis, believes that the 20-year record (see table) of Insured Mortgages (The National Housing Act was passed by Congress June 27, 1934) has amply demonstrated that this is an excellent investment medium for long-term capital. The fact that the Insured Mortgage is now a recognized standard instrument which can be readily traded, has resulted in large volumes of Eastern capital financing the purchase of homes in other sections of the nation. It has been estimated that the average FHA mortgage, insured under Section

203, has a life expectancy of approximately 10 years.

The revised Act of 1954, which extends the FHA term to 30 years, may increase this expectancy to 12 to 15 years.

Foreclosures, under Section 203, over the 20-year period that this Section has been in force, is less than ½ of 1%. Losses to the Mutual Fund, as of Dec. 31, 1953, total 2/100ths of 1% of the total amount of insurance written to that time. (The VA record to-date is slightly higher, running approximately 6/10ths of 1%.)

The Mutual Mortgage Insurance Fund, after repayment to the Treasury of all advances, had

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The National City Bank of New York is distributing a complimentary edition containing the official text of the U. S. Government's Information Booklet "Your Social Security, Old-Age and Survivors Insurance Under the Social Security Law" reprinted by the bank with permission of the U. S. Department of Health, Education and Welfare. It is titled "Your New Social Security—What It Is and What to Do About It." This is the first public distribution of this information in New York City. Copies of the booklet may be obtained by application in person at any branch of The National City Bank of New York.

The Guaranty Trust Company of New York on Nov. 5 announced the appointments of Howard B. Edel and Arthur W. Rossiter, Jr., as Assistant Trust Officers and Harry Rode as an Assistant Comptroller.

Edwin H. Wippermann, an Assistant Secretary of Manufacturers Trust Company of New York, recently completed 50 years of continuous service with the company and one of its predecessor institutions. Mr. Wippermann was 15 years old when he entered the employ of the State Bank and Trust Company on Oct. 4, 1904, as an office boy. After several successive promotions, Mr. Wippermann was appointed Manager of the Coney Island office in 1927. Two years later (1929) the State Bank and Trust Company merged with Manufacturers Trust Company. In 1930 he was appointed an Assistant Secretary and in 1932 was assigned as Officer-in-Charge of the East New York office. Since 1947 Mr. Wippermann has been assigned to the 774 Broadway office (Brooklyn).

On the evening of Nov. 4 the Twenty-Five Year Club of the Manufacturers Trust Company of New York held its 15th Anniversary Dinner at the Waldorf-Astoria Hotel. One hundred nineteen new members were welcomed by Horace C. Flanigan, President of the Trust Company. Matthew McKenney, President of the Club, presided. Total membership now stands at 797. The following officers were elected for the ensuing year: Russell Eberhardt, President; Henry C. V. Cann, Vice-President, and Edmund Leone, Treasurer. Percy A. Goodell is Permanent Secretary.

The New York State Banking Department has announced its approval of the certificate of increase of the capital stock of the Federation Bank & Trust Company of New York, from \$2,000,000, consisting of 200,000 shares of common stock, par \$10 per share, to \$2,900,000, consisting of 290,000 shares of common stock, par \$10 per share. An item regarding the plans of the bank to increase its capital appeared in our issue of Oct. 21, page 1601.

As of Oct. 26, the Central National Bank of Yonkers, N. Y., increased its capital from \$600,000 to \$639,000 by a stock dividend of \$39,000. Several circulars incident to the approval by the bank's stockholders of the proposed changes in the capital structure have been issued by the bank—one of which (dated Oct. 22) says in part:

"Since 1940, the deposits of your bank have almost quadrupled, rising from \$5,500,000 to \$25,700,000 on Sept. 30 of this year. Our loans during the same period have increased by 40%, rising

from \$3,300,000 to over \$14,000,000. The capital funds have increased in appropriate relation by growing from \$1,000,000 to over \$2,000,000."

Despite our heavy tax burden the increase in our capital funds has been accomplished through retained earnings with the exception of \$200,000 resulting from subscriptions to new stock on a pro rata basis. During the same period cash dividends have been paid of approximately \$500,000.

It is noted that a 14% stock dividend was declared in 1949, a 25% stock dividend in 1953 and now a 5% stock dividend in 1954. The aggregate stock dividends alone have reduced the cost per share to original organizers of the bank by 30%.

In a circular to the stockholders Oct. 26 the bank says in part:

As authorized by the board of directors and the shareholders of the bank, we are enclosing:

(1) Stock certificate, scrip certificate, or both, representing the stock dividend (1/4 share for each one owned by you on Oct. 21, 1954).

(2) Subscription warrants representing your right to subscribe to new shares of stock at \$20 per share (1/4 share for each one owned by you on Oct. 21, 1954).

The par value of the stock of the bank has been reduced from \$25 to \$5. Five shares of the new stock will be delivered to you in exchange for each share of the old stock upon presentation and surrender of the old stock at the Main office of the bank, 38 South Broadway, Yonkers, New York. Your old stock may be brought or sent in for exchange at any time hereafter and should be sent or brought in immediately.

The total operation will have little effect upon the net approximate book value per share. After the exchange of five shares for one, each share will have a book value of \$17.50, or one-fifth of the former value of \$87.50. The net effect of the stock dividend and the new shares sold will be to decrease the net approximate book value of each share by only 48 cents. In other words, if you exchange your stock one for five, receive your stock dividend, and exercise your right to subscribe to the new stock at \$20 per share, your proportionate interest in the capital of the bank will not be changed in the slightest.

A booklet detailing "One Hundred Years of Progress" has been issued by the Falls Village Savings Bank of Falls Village, Conn. During the period of its operation from 1854 to 1954 the bank has been closely allied to The Iron Bank, now the National Iron Bank, which had its origin in 1847—the first bank instituted "in this northwestern corner of Connecticut." While this bank, says the booklet, filled the commercial needs of the various industries, it became apparent to another group of men that "with increasing prosperity of the region" there was need for a savings bank and accordingly in answer to a petition by that group the General Assembly granted a charter in May, 1854 to the Falls Village Savings Bank.

The first incorporators' meeting was held on Sept. 22, 1854, when John Adams was elected President and George W. Peet, Treasurer, together with other officers. At this first meeting of organization, it is added, Mr. Adams was appointed Chairman, with Mr. Peet holding the post of Secretary. The opening of the bank occurred on May 5, 1855 and on July 14 of the same year, the Treasurer's report showed deposits of \$2,532. At this time says the booklet all deposits were kept at the Iron Bank, with Roger M. Pease serving as Treasurer of both banks. Among the requirements of the savings bank's first charter it was stipulated that there were to be 10 directors and the bank could not accept deposits in excess of \$400 in any one year from any one depositor. With all the preparatory work taken care of and arrangements made by the savings bank with the Iron Bank for quarters in the latter's building, the savings bank's opening, accordingly took place, as noted above, on May 5, 1855.

With the growth of both banks the officials of the two institutions on Jan. 15, 1869 discussed the possibilities of a new bank building, but it was not until Sept. 20, 1869 that the Falls Village Bank decided to erect its own building. This building continued in use until October, 1900, when it was burned down, and the savings bank again held its business in the quarters of the National Iron Bank until the present building of the savings bank was opened on July 1, 1902. The bank takes occasion to cite a few of the industries which were instrumental in the growth of the valley and states that the two natural resources vital to the growth of the region were iron and water power.

While the passing of the iron industry of the Housatonic Valley and of the Barum Richardson Company had an untoward effect on the community the decision that the valley be developed as an ideal spot for summer homes for New York people gained support, and along with the opening of two plants north of Falls Village making agricultural lime and varied products, as well as the action of the U. S. Government starting a plant in Canaan at the inception of World War II to make magnesium, making work for hundreds of employees, thereby increasing deposits each year to the banks in the section, evidence of "progress at work" was noted.

"The record of the bank over the years" says the booklet "has proved the wisdom of its officers. From the very beginning the protection of money entrusted to them has been their concern, and with wise investments the depositors have been assured safety."

Stockholders of The Morris-town Trust Company of Morris-town, N. J., approved at a special meeting on Nov. 4 a proposal to increase the bank's capital stock by \$40,000 through payment of a stock dividend on Dec. 7 to

stockholders of record Nov. 8. More than 80% of the trust company's 46,000 shares were voted in person or by proxy in favor of the proposal by the directors. This would increase the bank's capital stock account from \$920,000 to \$960,000 by the transfer of \$40,000 from undivided profits to pay for the additional 2,000 shares of \$20-par-value stock. Subject to the approval of State banking authority, these shares would be paid to the bank's 680 stockholders as a stock dividend in the ratio of one share for each 23 shares now held.

George Munsick, the bank's President, said on Nov. 5 that each of the bank's stockholders will be notified of the number of any fractional interest to which he will be entitled by reason of the proposed dividend. Arrangements are being made by the trust company for the purchase or sale of fractional interests without brokerage cost to the stockholder. In a recent letter to stockholders, the bank's directors expressed the hope that "circumstances will permit similar action next year," to increase capital stock to \$1,000,000. An earlier reference to the trust company's present plans to increase the capital appeared in our issue of Oct. 21, page 1601.

Kingsbury S. Nickerson, President of The First National Bank of Jersey City, New Jersey, announced the election of Herbert S. Croft as Vice-President and Trust Officer of the Bank, effective Nov. 15. Mr. Croft returns to First National after an absence of five years, during which time he has been associated with the Alamo National Bank of San Antonio, Texas, as Vice-President and Trust Officer. He brings to his new post twenty-five years of experience in the trust field.

The Pennsylvania Company for Banking and Trusts of Philadelphia, has set the record date for rights to subscribe to its new shares as of the close of business

Nov. 26, 1954, with settlement Dec. 23, 1954. Rights will be offered to subscribe to one new share for each 14 held at the record date. The price of the new stock will be determined by the board of directors on Dec. 1, 1954. Plans to increase the number of the bank's \$10 par value shares of capital stock from 1,360,000 to 1,500,000 shares, were referred to in these columns Nov. 4, page 1847.

Formation of The Title Insurance Corporation of Pennsylvania was announced at Bryn Mawr, Pa., on Nov. 4 by The Bryn Mawr Trust Company and Montgomery Norristown Bank and Trust Company, of Norristown, Pa. A joint statement announced that the board of directors of the two banks have voted to segregate the title departments of the respective companies and transfer such title business to the company being formed. The new title company will commence business early in 1955 with offices in Bryn Mawr, Norristown, North Wales, Paoli, Ardmore, Chester and Upper Darby. The company will be headed by Gordon M. Burlingame, Vice-President and Title Officer of The Bryn Mawr Trust Company, as President. Names of directors and other officers will be announced later. The entire capital stock of The Title Insurance Corporation of Pennsylvania will be owned by The Bryn Mawr Trust Company and Montgomery Norristown Bank and Trust Company. The plan as announced is subject to the approval of the various supervisory authorities.

The board of directors of Colonial Trust Co. of Wilmington, Del., elected Nelson M. McKernan, President of the institution to succeed R. Abbott Sinskey. The latter was named Chairman of the Board. Mr. McKernan at the same time was elected a member of the Executive Committee of the

Continued on page 37

COLUMBUS AND SOUTHERN OHIO ELECTRIC COMPANY

RESULTS OF OPERATIONS

	For the three months ended September 30		For the twelve months ended September 30	
	1954	1953	1954	1953
Operating Revenues				
Electric	\$8,613,604	\$7,885,522	\$33,572,175	\$31,348,534
Heat	199	359	29,223	27,574
Total	\$8,613,803	\$7,885,881	\$33,601,398	\$31,376,108
Operating Expenses				
Fuel used in electric production	\$1,340,182	\$1,360,383	\$ 5,408,340	\$ 5,272,152
Other operation	1,843,413	1,688,947	7,593,772	6,568,470
Maintenance	851,964	548,354	2,686,502	2,077,851
Provisions for depreciation and amortization	966,715	861,715	3,613,859	3,313,244
General taxes	659,859	585,225	2,509,202	2,243,294
Federal taxes on income	1,146,000	1,179,000	4,838,000	4,991,000
Total	\$6,808,133	\$6,223,324	\$26,649,675	\$24,466,011
Operating income	\$1,805,670	\$1,662,557	\$ 6,951,723	\$ 6,910,097
Other Income				
Rentals and interest income from subsidiary, less expenses	\$ 34,311	\$ 32,069	\$ 128,488	\$ 132,709
Increase* or reduction of reserve for deficit of subsidiary	*13,919	*30,304	123,353	*63,285
Other	*5,917	5,719	115,365	39,948
Total	\$ 14,475	\$ 7,484	\$ 367,206	\$ 109,372
Gross income	\$1,820,145	\$1,669,741	\$ 7,318,929	\$ 7,019,469
Interest and Other Income Deductions	538,803	399,336	1,949,634	1,608,736
Net income	\$1,281,342	\$1,270,405	\$ 5,369,295	\$ 5,410,703
Preferred Dividends	215,764	215,763	859,824	859,824
Earnings on common shares	\$1,065,578	\$1,054,642	\$ 4,509,471	\$ 4,550,879
Common Shares Outstanding at End of Period	2,401,360	2,001,360	2,401,360	2,001,360
Earnings per common share	\$0.44	\$0.53	\$1.88	\$2.27

* Denotes red figure.
This is an interim statement. The Company's fiscal year ends December 31, at which time its financial statements are examined by independent public accountants.

Financing of Mergers And Acquisitions

By WALTER S. SEIDMAN*

Vice-President, National Commercial Finance Conference, Inc.
Partner, Jones & Co., New York, N. Y.

In calling attention to the rapid increase in industrial mergers and acquisitions, Mr. Seidman finds the services of commercial finance company can and are being utilized in such transactions. Outlines pattern merger deals should take and illustrates the technique involved in financing. Points out tax angles involved.

I am sure that most of us, through reading the financial pages of the daily newspapers, are conscious of the rapid increase in the number of mergers and acquisitions in the industrial field in recent months.



Walter S. Seidman

These mergers and acquisitions follow several patterns. Many mergers are being effected to achieve greater diversification. Management is anxious to achieve more rapid growth and greater stability of volume by manufacturing and selling new products. In many cases, such diversification can be accomplished at lower cost and with less risk by buying out an established producer in the new field than by building new plants to produce the new line of products. The purchase by Murray Corp., an automobile body manufacturer, of Eljer, a producer of plumbing fixtures, is a typical example. Another example is the merger being discussed between Bethlehem Steel and Youngstown Sheet & Tube Company. Numerous other mergers are being effected by marginal units in the same industry for the primary purpose of achieving economies in overhead, production and sales.

The Kaiser-Willys deal, the Nash-Hudson and Studebaker-Packard mergers illustrate this type. You, as enterprising finance men, after reading and hearing about all this activity in the purchase, sale and merger of businesses, must have thought: Are we missing the boat? Could the services of a commercial finance company be utilized in such transactions? The answer is that they can, and have. Of course, not in the examples to which I have referred, since they are in the "big league" involving exchanges of listed stocks, term loans, etc. However, there is plenty of similar but less publicized activity in the "Class A minors" and that is our territory.

A Well-Defined Pattern Essential
A deal, in order to lend itself to the type of financing which we, as commercial finance companies may perform with propriety, must fall within a pretty well-defined pattern. It must involve the acquisition of a business by the purchase of substantially all the capital stock of the corporation owning the same, or by the purchase of the assets and the assumption of the liabilities of the corporation. The business being purchased must show a good record of earnings over a period of years; the balance sheet must present an extremely liquid picture, and the purchase price should not be more than a sum approximately equivalent to the net quick assets. No doubt, some of you are thinking: "Why should anybody owning a business meeting the requirements you have

outlined want to sell at such a bargain price?" The answer is that "old devil"—taxes. We will find that in most instances we will be dealing with a closely-held corporation with no ready market for its stock. The owners are getting on in years and are starting to plan their estates. Ownership of stock in a closed corporation always presents vexatious and sometimes financially disastrous estate tax problems. In fixing the value of the stock of a closed corporation for estate tax purposes, the taxing authorities are not bound by the balance sheet but may evaluate the stock on the basis of the earnings of the corporation over a period of years. This may result in such a high estate tax that the estate might be stripped of all its liquid assets with the consequent hardship to the beneficiaries. Furthermore, the stockholders' equity in the business usually represents the major portion of their worldly possessions. A sale, in addition to mitigating the estate tax problem, permits such stockholders to convert their holdings into cash on a capital gains basis and thus gives them the opportunity to diversify their investments.

There are many other tax angles involved in such sales such as the problem arising under the old Section 102 of the Internal Revenue Code, and now covered by Sections 531 to 537 relating to the unreasonable accumulation of surplus. However, I am not a tax expert. What little knowledge I have on the subject has been obtained by having been exposed to the discussions of tax counsel in the course of working out several deals. I can merely point out some of the highlights and suggest that you reserve any questions you may have on this topic for our tax expert, Mr. Janin, who will appear on our panel tomorrow. He is eminently better qualified to answer them than I am.

An Illustration of the Technique Involved

I believe that I can best illustrate the technique involved in financing the acquisition of a business by discussing a concrete transaction. I have therefore put into your hands the balance sheet of X corporation which Y corporation is negotiating to purchase for \$1,150,000. Y corporation is prepared to invest \$300,000 and we are called upon to finance the balance of the purchase price. First, I want to assure you that the balance sheet of X corporation is not a figment of my imagination. It is a simplified and condensed version of the actual balance sheet of a corporation involved in a transaction which my company financed fairly recently.

The purchase of the business of X corporation can be effected in one of two ways. The first is by the purchase of the capital stock of X corporation and the second is by the purchase of its assets and the assumption of its liabilities. The first method has the advantage of simplicity as between the buyer and the seller since all that is involved is the transfer of stock; while in the sale of assets and the assumption of liabilities, there is the prob-

lem of conveyance of real estate, machinery and equipment, the transfer of contracts, novation of debts, and compliance with the Bulk Sales Law, etc. My tax expert friends tell me that in most cases an asset deal has distinct tax advantages. Likewise, the financing of such a transaction is less complex than a stock purchase as shall become apparent in my later discussion.

Actually, in the X corporation deal, the sale was concluded on the basis of Y corporation acquiring all of its capital stock and here is the way the financing was handled. Y corporation had \$300,000 in cash and no other assets or liabilities. Therefore, it had to borrow \$850,000 in order to acquire the capital stock of X corporation from its stockholders, at a total purchase price of \$1,150,000. We found, upon investigation, that X corporation had operated very profitably over a period years; that it had a substantial backlog of orders; that key personnel were being retained and the prospect of continued substantial earnings was bright. There was no question but that the purchase was an advantageous one. The problem was: If we advanced the necessary \$850,000 to Y corporation, how could we be secured and how were we going to be repaid? It was obvious that if the cash and other liquid assets of X corporation became available to Y for that purpose, it could be accomplished, but certainly, in no event could such assets become available until Y corporation completed the purchase of the capital stock of X. To bridge that gap, it was first necessary to advance \$850,000 for what is commonly known as "turn-around" money. This initial advance was made simultaneously with the acquisition of the stock of X by Y and was evidenced by a demand collateral note executed by Y under which the collateral stock of X and Y was pledged as security. As an additional safeguard, we obtained the resignations of the officers and directors of X and Y.

As soon as Y obtained control of X, it changed the corporate name of X to Z and changed its name from Y to X. Then Z was merged into Y now known as X so that a corporation by the name of X became the surviving corporation and thus, the continuity of the identity of the business in its relationship with its customers and suppliers was maintained. As soon as the merger was effected, the assets of the former X corporation became the assets of the new corporation. Then the new X corporation borrowed \$637,500 from us upon the security of accounts receivable in the amount of \$750,000. This resulted in the new X corporation having total cash of \$987,500 out of which it repaid us our turn-around advance of \$850,000 leaving a bank balance of \$137,500. That sum, we had previously determined by an analysis of the cash flow, was sufficient, together with continued receivable financing, to permit X to continue to operate efficiently and to meet all its obligations as they matured.

Instead of merging X into Y, Y could have continued the corporate existence of X, caused X to finance its accounts receivable and then borrowed from X, its wholly-owned subsidiary, the funds necessary to repay the turn-around money.

Whether the device of a merger or a loan is employed depends on which device is the most advantageous from a tax point of view under the particular circumstances of each case. There is always the danger that inter-corporate loans of that nature may be treated as a dividend for tax purposes. However, even such a result would not be too costly since the tax rate on inter-corporate dividends is fairly low.

The Concerns of a Finance Company

What must a finance company be concerned about in handling a transaction of this nature?

(1) We must satisfy ourselves that X corporation will not be rendered insolvent as a result of the transaction so that the repayment to us of the turn-around money might, in a subsequent bankruptcy, be attacked as a preference.

(2) To be doubly safe against any possible future attack, we should be satisfied that the transaction does not result in an impairment of the capital of X corporation. The laws relating to that subject are not uniform and the statutes of the particular state involved must be studied. In some states, any distribution in excess of the earned surplus is regarded as an impairment of capital and, therefore, surplus created by a re-evaluation of assets must be disregarded. In other states, the fair value of asset test is applied which permits consideration of both earned and appraisal surplus in determining whether there has been an impairment of capital. Incidentally, in this respect, the law of the State of New York is more liberal than the laws of Delaware since New York recognizes the fair value test. Do not draw the conclusion from my remarks that the amount of the required turn-around money exceeds the surplus, the deal must necessarily be vetoed. Even though the transaction results in a slight impairment of capital, you may prudently accept the calculated risk involved if you are convinced, from all the facts, that the possibility of insolvency occurring while any existing creditors of X remain unpaid, is extremely remote.

Now, let us examine the same transaction if the other pattern is followed, namely, the purchase of the assets of X corporation and the assumption of its liabilities by Y. In that case, at the time of closing, X corporation would have approximately \$350,000 in its bank account. This amount would be retained by X and credited against the purchase price, leaving a balance due of \$800,000. Since Y has \$300,000 of its own funds, it would need an additional \$500,000 to pay the balance of the purchase price plus the necessity of obtaining operating funds. In such a case, providing the necessary funds does not present a finance company with any problems other than those usually involved in the financing of accounts receivable. The finance company merely advances the required funds directly to Y upon the security of the accounts receivable being acquired simultaneously by Y from X. The continuity of the operation is maintained by X changing its corporate name to Z and Y changing its name to X so that as far as account debtors are concerned, they are still dealing with the same entity.

Tax Angles

I mentioned previously that there were many tax angles involved in acquisitions and mergers. I will now highlight a few.

Prior to the recent amendment to the Internal Revenue Code, a profit corporation could not acquire a loss corporation and make use of the loss carry forward to offset its profits, unless it could show a sound reason for the acquisition other than a tax saving. However, the same prohibition did not apply to the acquisition of a profit corporation by a loss corporation. Thus, in many cases, the corporation which I have referred to as Y in the example discussed, was a corporation having a substantial loss carry forward and which had been acquired by the persons interested in purchasing X corpo-

ration solely as a vehicle for effecting the transaction. Thus, when X corporation was merged into Y, Y became the surviving corporation and its loss carry forward could be offset against profits earned after the date of the merger. That was the device actually used in the example I submitted to you, and it was only through the use of a loss vehicle that the purchasers could meet the tax obligations of X out of future earnings. However, under Section 382 of the new Internal Revenue Code, the use of a loss corporation as a vehicle has been greatly restricted. Under the present law, if 50% or more of a corporation's stock changes ownership during a two-year period as the result of a purchase or redemption of stock, and the corporation changes its trade or business, any net operating loss carry overs are entirely eliminated.

The new Internal Revenue Code also contains other provisions which may have a vital bearing upon the form the transaction takes. For example, it provides that if a corporation purchases the capital stock of another corporation primarily for the purpose of acquiring its assets, then the purchase price of the stock will be pro-rated among all the assets acquired with the exception of cash or its equivalent, in accordance with the fair value of such assets, and the cost basis of the assets adjusted accordingly. Therefore, if Y acquires the stock of X and then merges X into Y, the tax result will be the same as if Y purchased the assets of X.

In order to understand the practical implications of this law, let us again examine the balance sheet you have in your hands. The purchase price of the stock is \$1,150,000. The liabilities are \$1,150,000. Therefore Y is, in effect, paying \$2,300,000 for the assets of X, having a book value of \$2,800,000. Cash, or its equivalent, amounts to \$350,000 leaving \$1,950,000 to be allocated among the other assets. The Internal Revenue Department will not permit Y to claim that it paid \$1 for the fixed assets, \$750,000 for the accounts receivable and \$1,199,999 for the inventory. The cost of \$1,950,000 will be pro-rated among the accounts receivable, inventory and fixed assets in the ratio of the fair value of each of the other. The consequence is that the cost basis of the accounts receivable and inventory will be reduced below the cost appearing on the balance sheet. Therefore, the liquidation of the accounts receivable and inventory will result in additional taxable income to Y. Y can, to some extent, control the realization of inventory profit by the adoption of the Lifo method. However, there is no way of postponing the profit on the accounts receivable since they will be paid in the ordinary course. However, this undesirable tax result can be avoided by the proper utilization of the services of a commercial finance company or factor prior to the closing.

If X sells its accounts receivable to a commercial finance company prior to the transfer of its assets to Y, then the adjustment of cost basis will be limited to inventory and fixed assets. As I previously stated, the inventory profit may be controlled by the adoption of the Lifo method and the further reduction of the cost basis of the fixed assets is none too serious since, under ordinary circumstances, it would merely affect the deduction for depreciation as these assets will not be sold.

The most advantageous aspect of an asset deal from a tax point of view can be best demonstrated by referring to the balance sheet before you. Suppose Y agreed to buy the assets of X for the same \$1,150,000 and agreed to assume all liabilities except the liability

*An address by Mr. Seidman at the Tenth Annual Convention of the Commercial Finance Industry, New York City, October 10, 1954.

for taxes. Y would then be paying X \$1,150,000 plus assuming liabilities of \$400,000 or a total \$1,550,000 for assets having a book value of \$2,800,000. X will have sustained a loss of \$1,250,000 which can be applied against its previous earnings and the tax liability substantially reduced or eliminated if the sale is not part of a plan for the complete liquidation of X corporation.

I realize that by reason of the limitation of time, my discussion of the topic has been necessarily sketchy. However, I hope that I have given you some idea of fundamental principles and the basic technique involved and the opportunities which exist for the use of our services in the financing of acquisitions and mergers.

"X" Corporation	
ASSETS	
Current Assets	
Cash	\$350,000
Accs. receivable	75,000
Inventories	1,200,000
Tot. Cur. Ast.	2,300,000
Fixed asset	1,200,000
Res. for dep.	500,000
Total assets	\$2,800,000
LIABILITIES	
Current Liabilities	
Acc. pay, and accruals	40,000
Fed. inc. tax	750,000
Tot. Cur. Liab.	1,150,000
Capital Stock & Surplus	
Capital stock	385,000
Earned Surplus	1,265,000
Total Liab'l. and Surplus	\$2,800,000

Railroad Securities

Missouri-Kansas-Texas

It was announced late last week that the directors of Missouri-Kansas-Texas had worked out the details of a plan of recapitalization designed to take care of the large dividend arrears on the present 7% preferred stock. The proposed allocation of securities to the old stocks is identical to that suggested by committees representing the preferred and common in their plan outline released about two months ago. The refinements added by the management are designed to provide for the future capital needs of the property and for a sinking fund aimed at the systematic reduction in the amount of new income bonds to be issued under the plan.

Each share of old preferred, together with back dividends, would receive \$140 in a new 5% Income Mortgage bond which would protect its present 7% preferential income status. In addition, the old preferred would receive one share of \$60 par value Class "A" stock. The old common stock would receive share for share in new \$10 par value common. On any dividend distribution the "A" stock, as a class, would receive 75% of the dollar amount and the common would receive 25%. However, there would be a limitation of \$3 a share on the Class "A" dividends and no limitation on common stock distributions.

While no capital fund is set up as such, the management proposes that in arriving at income available for payment of interest on the income bonds there would first be deducted from reported net income an amount equal to the larger of 2 1/2% of gross revenues or \$2 million. This, it is estimated, would take care of the future normal annual property needs. Interest would be mandatorily payable only to the extent of this "available" income. There would also be a sinking fund for the new income bonds, ranking ahead of the dividends, amounting to 1% of gross revenues. Also, there would be a sinking fund for the Class "A" stock, amounting to 5% of any income remaining after providing for interest and the sinking fund on the new bonds. Finally, at the outset an amount equivalent to 25% of any dividends paid would have to be allocated to an additional sinking fund for the bonds.

The plan would involve issuance of \$93,380,560 of new income bonds, thus just about doubling the present debt, including equipments. There would also be outstanding 667,005 shares of the new Class "A" stock and 808,972 shares of common. Based on the earnings history of the properties this would represent quite a heavy capitalization for Katy. In its best post war year (1952) the company reported net income before

Federal income taxes of \$12,184,000. Allowing for the fact that the new contingent interest would be deductible before Federal income taxes while present preferred dividend requirements are not, and then applying the same tax rate to the balance as the road accrued in 1952 (38%), there would have been reported income of \$9,328,000 before providing for the capital needs of the property or for the new interest.

On that basis, and deducting the 2 1/2% of gross revenues, there would have been an indicated \$7,200,000 available for the new income bond interest, or just about 1.5 times the annual requirement of \$4,669,000. The sinking fund for the bonds would have come to \$851,000 and for the Class "A" stock it would have amounted to \$126,000. Allowing for these requirements there would have been net income of \$1,554,000 for the stocks. However, as 25% of any dividends paid would have to be matched by a final sinking fund there would have been only \$1,133,000 actually available for distribution on the stocks. This would work out to \$1.27 a share on the Class "A" and \$0.35 a share on the common. On the basis of most recent earnings, with reported net of \$4,321,000 for the 12 months through August, only about half of the income bond interest would have been earned after allowing for the \$2 million for capital needs.

Stahl Spec. Repr. of Govt. Develop. Bank

John A. Stahl, former Vice-President of Bankers Trust Company, New York, has become associated with the Government



John A. Stahl

Development Bank for Puerto Rico in its New York Information Office, 37 Wall St., as special representative, Guillermo Rodriguez, President of the Bank announced. Mr. Stahl, during his 27 years' association with Bankers Trust Co. was in the foreign department in charge of the Latin American Division and also assisted in handling their German and Spanish business.

C. J. Galli Opens

HOUSTON, Tex. — Cesare J. Galli, Jr. is engaging in a securities business from offices at 4500 Telephone Road.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

It seems as though the money market is going to continue to play "the waiting game," which probably means that not very much of importance is going to happen there until the terms of the December refunding are made available by the Treasury. The late year operation has been overhanging the government market for quite a while now, because operators in Treasury securities have given it a whole lot of consideration for such a long time. The only way this factor will be taken out of the picture is when the announcement is made, probably within the next two weeks.

The Central Banks bought some Treasury bills last week to ease up a money market which was tightening up. There will have to be more of this or other easing operations in order to prepare the market for Dec. 15 operation. Guesses as to what might be contained in the year-end refunding package are still rather varied, but it seems as though a three-way offer has the most supporters at this time. A short-term, an intermediate and a bond, is what some are looking for.

Investors on Sidelines

The so-called in-between period still continues in the government bond market because investors, traders and dealers are waiting for the refunding terms. The big refunding operation, which involves the Dec. 15 maturities, seems to have taken quite a hold on the money markets, and as a result most money market operators have tended to stay pretty close to the sidelines. To be sure, there are the usual guesses as to what will happen in the year-end refunding, but it appears as though not too much is going to be done by investors until the terms of the impending operation have been made public.

Conflicting Views on Market Needs

That only part of the refunding will most likely involve short-term securities or intermediate term issues does not appear to be too much of a concern when the money market as a whole is considered. However, there is a feeling in some quarters that the money market does not have enough short-term securities to meet the needs which have come about because of the changed conditions. It is being pointed out by some that the purchases of short-term securities by private pension funds and corporations as well as the Central Banks does not leave enough of these issues at times for the commercial banks to meet their needs, especially where the purposes of liquidity are concerned. They would favor large amounts of short-term securities in the refunding operation.

There are others who hold to the opinion that the intermediate-term area of the Government market is not without enough of these securities already and that the coming refunding should not be made up of issues which would add to what they term a rather full supply. It is the opinion of this group that the so-called middle maturities could be given a rest as far as the impending refunding is concerned.

There are also reports that some rather important switches are being made within the various intermediate-term maturities themselves, and between the middle maturities and the short-term ones and vice-versa. Some of this is attributed to tax operations, while part of it is due to the desire of certain large institutions to shorten maturities.

What About a Long Issue?

With the various groups in the financial district having their own ideas about what should or should not be done in the coming refunding as far as certain not too long maturities are concerned, what is there in the wind about a long-term bond being used in this affair? Again there appears to be mixed feeling when it comes to the idea of having a long-term Treasury issue in the year-end refunding. There are those, who have the maturing 2s and have had them for short-term liquidity purposes and do not want a long-term government bond as a replacement for them. Others that own the 2s do not appear to be interested either in a distant Treasury obligation, because they would prefer an intermediate term issue.

There are, on the other hand, those that are interested in a long-term government bond provided the coupon rate is high enough to make it worthwhile. It seems as though long-term government bonds have lost a lot of their glamour as far as investors are concerned, since it was learned that government bonds can go down just as much as corporates and the others do. Up to the present time, these investors have been doing rather well by making purchases of non-government obligations. Those buyers that must put their funds only in government securities would be definitely interested in a long-term Treasury issue.

Peters, Writer Firm to Be N.Y.S.E. Members

DENVER, Colo.—A new corporation will be formed in Denver to be known as The Peters, Writer & Christensen Corp., which will be a member of the New York Stock Exchange. Gerald P. Peters, President of the firm, will hold the membership. Other officers will be O. J. Jorgenson, Executive Vice-President and Assistant Secretary; Harold D. Writer, Vice-President and Assistant Secretary and Emil W. Christensen, Secretary-Treasurer. All have been associated for many years with Peters, Writer & Christensen, Inc.

Wm. O. Gay Joins Rand Co. Staff

Rand and Company, 1 Wall Street, New York City, specialists in general market, municipals and revenue bonds, announced that William O. Gay is now associated with the firm. Mr. Gay was formerly a partner in Henry Herrman & Co. and previous thereto he was with W. E. Hutton & Co.

With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, Calif.—P. R. Palmer is now with Reynolds & Co., 425 Montgomery Street.

F. J. Bolton Elected By Muir Inv. Corp.

SAN ANTONIO, Tex.—Muir Investment Corporation, 101 North St. Mary's Street, recently formed Texas investment banking firm, announces the election of Frederick J. Bolton as Vice-President and Manager of the Municipal Bond Department.



Mr. Bolton brings to the firm over 20 years experience in his particular field. Prior connections included: Ryan, Sutherland & Co., Toledo; McDonald Moore & Company, Detroit; H. Sattley & Company, Inc., Detroit; Lentz, Newton & Company, San Antonio.

The new firm will put special emphasis on the secondary market in Texas municipals as well as various Turnpike and Toll Bridge bonds.

Mr. Bolton has appointed two new municipal representatives in the past week. They are James F. Beasley, Jr. with offices at 2244 West Holcombe Boulevard, Houston, Texas, and Robert E. Carlson with offices at 2501 Cedar Springs Avenue, Dallas, Texas.

Amott, Baker & Co. Adds Greif to Staff

Jacob Greif is now associated with Amott, Baker & Co., Incorporated, 150 Broadway, New York City. He was formerly with Hirsch & Co.

With Stifel, Nicolaus

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, Ill.—Samuel W. Bodman has become associated with Stifel, Nicolaus & Co., Inc., 105 West Adams Street. He was previously with Ames, Emerich & Co., Inc.

De Witt Conklin

De Witt Conklin passed away at the age of 63 after a long illness. Mr. Conklin before his retirement was the founder and a partner in the De Witt Conklin Organization, stockholders relations specialists.

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Should British Corporate Profits Be "Ploughed Back"?

By PAUL EINZIG

Dr. Einzig, commenting on the British Chancellor of the Exchequer's urge to "plough back profits," says there is a growing resistance to this pressure. Sees a strong case against excessive ploughing back of profits, both from an economic and social point of view, and concludes that but for the excessive application of ploughing back profits, British economic progress would have been much more pronounced.

LONDON, Eng.—The Chancellor of the Exchequer, Mr. Butler, has lost recently much of his popularity in business circles as a result of his recent speech in which he exhorted industrial firms to plough back their surplus profits into their equipment instead of increasing their dividends. The argument involved deserves detailed examination. This doctrine, that it is a social duty to plough back the largest possible proportion of profits, developed during the '30's as a result of the Keynesian theory, according to which expenditure on capital investment creates more employment than expenditure on consumption. Owing to the prolonged depression and the chronic large-scale unemployment, ploughing back came to be regarded as one of the highest of civic virtues. This attitude still continues to prevail, even though conditions are now fundamentally different. There is now no unemployment in Britain. Any additional capital expenditure simply means an increase of the existing overfull employment, tending to accentuate the inflationary undertone. In spite of this, industrial firms are urged even now, not only by Socialists but also by the Conservative Chancellor of the Exchequer, to refrain from increasing their dividends for the sake of being able to spend more on the expansion of their plant.

There is a growing resistance to this pressure, because boards of directors feel that the self-denial of voluntary dividend limitations has gone too far, and the long-suffering holders of equities are now really entitled to some dividend increases. Yet very few businessmen who decide to raise their dividends and to disregard Mr. Butler's exhortations are aware that, apart altogether from the immediate financial interests of their shareholders, there is a strong case against excessive ploughing back also from a purely economic and social point of view. Paradoxical as it may seem, those "progressive" quarters who have been preaching the policy of indiscriminate ploughing back of profits are serving vested interests, and their policy, if carried to its logical conclusions, tends to create monopolies. For it would mean that the existing firms would grow and grow as a result of the continuous reinvestment of their profits into their own enterprise, while newcomers would find it difficult to raise the capital they need. The class of investors that subscribes to issues of capital for new enterprise, or for existing firms wanting to expand with the aid of outside capital, consists of the existing holders of equities. If his class of investors is starved, as it is in Britain, as a result of high taxation and dividend limitations, there can be no adequate financial resources available for such purposes. The increasing

profits, instead of being re-allocated among all bidders for capital, is employed for financing a non-stop expansion of existing firms who have earned the profits.

In a recently published book one of the leading British economists, Professor Pigou, stated that excessive ploughing back entails social waste, because the money is not made available to those who can use it to the best advantage for the community but is retained by those who happened to have earned it. As Pigou is the father of modern Welfare Economics, even Socialists could not disregard his views.

What he means is that in conditions prevailing in Britain today, if new inventions are rejected by the existing firms, it is difficult to find the necessary capital for financing their exploitation by newcomers, because under the system of dividend limitations a too large proportion of the profits is retained by the firms which have earned them. If an invention is rejected, not because it is useless, but because the existing firms do not find it convenient to make the necessary adjustment of their plants or of their production programs, then, in conditions existing in Britain today the chances are that the community will lose the benefit that would be derived from its exploitation. This is clearly detrimental to progress which largely depends on the continuous inflow of new blood into industry.

Lack of financial resources for newcomers is not the only handicap inventors and newcomers have to face as a result of the policy of excessive ploughing back of profits. Owing to overfull employment, there is a shortage of manpower in Britain. If a too large proportion of profits is spent on the extension of plant by existing firms, this makes an additional demand on manpower. This means that, even if newcomers succeeded in raising the necessary capital, they have to bid for labor by offering higher wages. The result is that the cost of exploiting new and untried inventions is higher, and so is the risk attached to their exploitation. This adds to the difficulties of introducing new processes, unless the existing firms happen to be willing to take them up.

In many individual instances there is undoubtedly ample scope and justification for ploughing back any surplus profits. But the adoption of a general principle that this should be done by all firms would lead to unwanted results. It would mean, in many instances, expenditure on expansion which is not so advantageous, either commercially or socially, as would be an alternative use of the money for the financing of new enterprise.

Unless the holders of equities receive high enough dividends they are not only unable to invest in new equities but also unwilling to do so. They have to carry the bulk of the burden of the risk attached to enterprise. As things are in present-day Britain, their reward for their willingness to take risks is not sufficient to induce them to increase their commitments even if they have funds available for investment. But in any case the

volume of funds available as risk-capital is inadequate. It is true, the volume of savings has increased during the last year or two. But it takes mostly the form of small savings invested in savings bank deposits or Government securities. The adventurous type of investor is kept on short ration by high taxation and dividend limitations. In spite of this, admittedly, production continues to expand. But it seems reasonable to assume that, but for the excessive application of the policy of ploughing back profits, progress would have been much more pronounced, and the existing limited manpower would have been used to better advantage.

Shreve Director

Wickliffe Shreve has been elected a director of Hazel Bishop, Inc., a leading cosmetic firm, it has been announced. Mr. Shreve, a general partner in the investment firm of Hayden Stone & Co., is a governor of the Association of Stock Exchange Firms and a former governor of the Investment Bankers Association. He is also a director of Knott Hotels Corporation, The Rowe Corp. and Air Express International Agency, Inc.



Wickliffe Shreve

Hemphill, Noyes Group Sell Penn Fruit Co. Pfd. & Com. Shares

Hemphill, Noyes & Co. headed an underwriting group which offered for public sale on Nov. 9 issues of common and preferred shares of Penn Fruit Co., Inc. The preferred issue consists of 100,000 shares of new 4.68% cumulative convertible preferred stock, \$50 par value, priced at \$52.25 per share. The common stock, being sold by a group of selling stockholders, consists of 100,000 shares of \$5 par value being offered at a price of \$31.50 per share. Both offerings were oversubscribed.

Proceeds from the sale of the preferred stock will be added to Penn Fruit's general funds to be used for the company's expansion program. Of seven new supermarkets now under construction three will be opened during the last three months of this year and four during the first six months of 1955. Nine additional supermarkets are being planned for opening during the last half of 1955.

The new preferred is convertible into common stock, at the ratio of 1.55 shares of common for each share of preferred until Nov. 1, 1958, 1.35 of common for each preferred until Nov. 1, 1961, and 1.25 of common for each preferred until Nov. 1, 1964.

Redemption prices of the preferred stock range from \$54.50 to Nov. 1, 1958 to \$52.25 after Oct. 31, 1964.

Penn Fruit operates a chain of 29 self-service food supermarkets in Philadelphia and its suburbs. The company believes it is the second largest food chain in sales volume in the Philadelphia area.

For the fiscal year ended August, 1945 the company's 11 supermarkets had net sales of \$17,912,291 and net income of \$89,935. For the fiscal year ended Aug. 28, 1954, 29 supermarkets showed net sales of \$93,727,534 and net income of \$1,545,314.

Continued from page 2

The Security I Like Best

fact that the stock ended every year of the past 10 (except 1949) at a higher market price than it had the year before, give the company the character of a sleeping blue chip.

Ruberoid's habit of unheralded growth probably stems from the pattern of its development and to the fact that its management has been as stable as its performance. The dramatic phases of the company's history took place at widely separated intervals and in between major moves Ruberoid traveled along paths mapped out long ago.

It was established in 1886 as the Standard Paint Co. to turn out a line of asphalt paints, lacquers and insulating tape. Its first factory was in a converted sawmill in South Bound Brook, N. J. The company's direction of development, however, was really determined in 1892 when the plant began to produce the country's first rolls of ready-to-lay asphalt roofing. Because the product was black, tough and resilient, the management called it Ruberoid. Its acceptance was immediate, and roll roofing was soon being shipped all over the country, later all over the world. To exploit foreign markets, plants were gradually acquired in Canada, England, France, Germany and even in Russia.

As paint products became relatively less important, roofing was the tail that wagged the dog, and in recognition of this fact, the corporation was renamed The Ruberoid Co. in 1921.

Without recourse to outside financing, Ruberoid acquired three related companies in the 1920s, five in the 1930s, and four since World War II. All were added with cash or by issuing additional capital shares. Because of wars and currency restrictions, all overseas holdings were sold, the last one—the one in England—in 1952.

The corporation's only major departure from the asphalt field up until this year was in 1930, when Eternit, Inc., a pioneer in the introduction of asbestos-cement building materials, was purchased. To protect raw material supplies, an asbestos mine in Vermont, and the world's largest roofing felt mill at Gloucester City, N. J., were acquired in 1936. By last summer, Ruberoid was operating the mine, 13 asphalt roofing mills, seven roofing felt mills and four asbestos-cement plants at 17 locations east of the Rockies. Last year's sales were nearly \$75 million, almost three times what they had been in 1944. Earnings were up too. On an adjusted basis, net per share in 1953 was \$3.34 compared with 68 cents 10 years earlier.

The only part of the country into which Ruberoid cannot ship goods economically because of high freight rates is the West Coast, so that recently management announced that a plant will soon be built at Los Angeles to supply Far West markets.

The company's acquisition of Ebsary Gypsum appears to be the first step in a long range program of diversification within the building materials field. Ruberoid has options on gypsum bearing land in Indiana, and is presently exploring the area. Presumably, if core drilling proves an economic ore body, the company will build its second gypsum plant there.

The wallboard, plaster and lath market is especially appealing to Ruberoid because these materials fit directly into existing product lines. Since relatively few companies are active in it, gypsum prices are more stable, and markets are more orderly than in the highly competitive asphalt roof-

ing business, and the demand for gypsum has exceeded the supply for many years.

Despite its heavy commitment in asphalt roofing, where market gyrations are sharply pronounced, Ruberoid's financial performance has been outstanding. Its unbroken dividend record (\$1.75 and 5% in stock in 1953) is matched by only 27 other companies listed on the New York Stock Exchange. Book value has more than doubled in 10 years, and its current ratio of 11.9 means that net current assets were equal to \$15.10 a share at the end of 1953. With two-fifths of total assets represented by cash or equivalents, the company is assured of being able to meet any demand for expansion capital out of its own pocket if so desired. Capitalization is simple, consisting of 1,428,801 capital shares after a two-for-one stock split in May.

The outlook for Ruberoid is closely related to the outlook for the construction industry as a whole, which is currently recognized as the brightest spot in the economy. As population grows and shifts from place to place, the building materials makers are certain of a continuing market, and one which is likely to be stimulated by rising incomes, the Federal Government's policy of easy credit, and the long-term demand for better housing. In addition, Ruberoid gets more than half of its sales from maintenance and repair activities which must continue whether or not new construction continues to increase.

During the first half of 1954, Ruberoid sales held at about the same level as the equivalent period for 1953, although profits were lessened by increased labor costs and lower roofing prices. However, prices stiffened during the summer, and nine months results showed the effects of the nationwide "building boom." Third quarter sales of \$22.3 million were the best for any third quarter in its history, and profits were third best at \$1.4 million. For the nine months, sales were \$57.6 million, net per share \$2.39, compared with \$57.7 million and \$2.50 for the first three quarters of 1953.

It is likely that the full year's performance will show sales up somewhat and earnings at least as good as in 1953. Dividends are expected to total \$1.75 a share in cash, to yield around 4% at the current market price of approximately 44. Since the directors have paid stock dividends in every year since 1948, it is possible that a stock dividend equal to the amount of earnings retained for reinvestment will be paid at the year-end. Ruberoid common stock is listed on the New York Exchange.

A. M. Kidder Adds

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla. — Richard F. Burch has been added to the staff of A. M. Kidder & Co., 506 Florida Avenue. He was formerly with Louis C. McClure & Co. and McCleary & Co., Inc.

Joins A. M. Kidder

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—William R. Larkin has joined the staff of A. M. Kidder & Co., 207 East Las Olas Boulevard.

Two With Eddy Bros.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Harrison C. Bristol, Jr. and George H. Fitts have become affiliated with Eddy Brothers & Co., 33 Lewis Street, members of the New York and Boston Stock Exchanges.

"From Chuck Wagons to an Industrial Giant"



MILLIONAIRES' CALF SCRAMBLE

Left to Right: Herbert W. Klotz, President, *Texas Securities Corporation*, New York; Edward Rotan, *Rotan, Mosle & Co.*, Houston, Texas; Dudley C. Sharp, President, *Mission Manufacturing Company*, Houston, Texas; Floyd L. Norton, III, *Barrow, Leary & Co.*, Shreveport, Louisiana



AT THE CHUCK WAGON

Left to Right: George E. Richardson, *G. E. Richardson & Co.*, Lockport, New York; Art E. Nichols, *First California Company*, Los Angeles, California; Miss Pat Allman, *Texas Fund, Inc.*; Herbert W. Klotz, President (back) *Texas Securities Corporation*, New York 5, New York; Lewis M. LaMaster, *LaMaster & Co.*, Houston, Texas; W. Herbert Lamb, *Ferris & Company*, Washington, D. C.

HOUSTON, TEXAS.—For a five-year-old, Texas Fund, Inc., has done some plain and fancy growing.

This open-end mutual fund, founded on Aug. 17, 1949, by a group of prominent Houstonians, has grown from net total assets of \$146,786 at the end of that August to \$16,990,144 as of Sept. 9, 1954, and currently to more than \$18,000,000.

"From Chuck Wagons to An Industrial Giant," dramatizing 50 years of Texas growth, keynoted a two-day birthday party on Oct. 28-29 from Shamrock Hotel headquarters.

The birthday party hit the trail — taking the high road as well as the low.

A Texas barbecue on a 129-year-old ranch which began with a Mexican land grant before Texas won her independence started festivities at the chuck wagon level — bringing to mind that beef was the basis of early Texas fortunes.

Going up in the world, the party flew in chartered planes over the Texas Gulf Coast's Golden Crescent area to see the industrial giant at work producing the profits which pay dividends.

This area supports surging cities grown from small towns — each the center of industries involving petroleum and petrochemicals, lumber, steel, sulphur, beef, cotton, grain, and the other resources from which Texas has built her wealth.

Texas Fund, Inc., provides an investment medium through which an individual can invest — whether \$25 or \$25,000 — and have his investment diversified for him by professional managers through various corporations, primarily in the Southwest, including chemicals, gas distribution and transmission, electric utilities, banking and insurance, as well as other services and industries.

The serious session in the birthday party was a business forum bringing the story of Texas' progress and possibilities directly to the attention of representatives of the investment banking industry invited here from throughout the nation to meet with the Texas Fund Management and advisory executives.

Texas Fund officers include President Dudley C. Sharp, Vice-President-Treasurer William J. Sloan, and Secretary John W. Coles, Jr.

President Thomas D. Anderson heads Texas Fund Research & Management Associates.

Fund founders include Dillon Anderson, Thomas D. Anderson, John H. Blaffer, Rorick Cravens, Robert K. Hutchings, S. M. McAshan, Jr., Charles A. Perlitz, Jr., Edward Rotan, Mr. Sharp and Ernest T. Skinner.

Bradschamp & Company, of which William J. Sloan is President and Jack S. Geneser is Vice-President, is underwriter and distributor for Texas Fund.

Securities Salesman's Corner

By JOHN DUTTON

How Would You Like To Open Some Substantial, New, Accounts?

About a year ago, Baron G. Helbig, of Baron G. Helbig & Co., 60 Broad Street, New York City, was going over some of his tax work and estate planning that he has used so effectively in selling Mutual Funds and he discovered that a long standing section of the Internal Revenue Act gave the average "man in the street" the same advantages as people of great wealth who have created charitable foundations as a means of tax savings.

Using Mutual Funds, set up under an irrevocable trust agreement and naming the donor's favorite charity as the eventual recipient of the property upon the death of the donor, Helbig discovered that the plan offered:

- (1) Immediate and substantial income tax savings to the donor in the year the agreement was drawn.
- (2) Full use of the income during the donor's lifetime.
- (3) A method of fund raising that the charitable organizations were extremely willing to use, since it entailed no expense on their part, and the bequest once written into an irrevocable trust agreement protected their posi-

tion completely whereas those who might wish to mention a church, hospital, or university in their will might change their minds at a later date and withdraw such provisions.

It Provides a Method of Meeting Investor Clients Under the Best of Circumstances

Helbig worked out a plan with one of the leading hospitals in his area whereby he was able to meet some of the most logical prospects in his community. Introductions to Helbig are made by the hospital trustees with their personal friends, who might be interested in a discussion of this method of combining income tax savings, estate tax savings and an eventual charitable bequest to a worthy organization upon their death.

Meeting people who are qualified investors, in the age bracket where this plan would mean the most to them in tax savings, and often where the family situation as to dependents and relatives is also favorable from a tax standpoint, is prospecting in just about the most fertile territory you can find. But when you add an introduction from a well regarded

trustee of a fine institution of learning, a church, or a hospital, and you have such a meeting with his blessing at a favorable time and place, I think you can see the point.

Does It Work?

Helbig has just finished a week in St. Petersburg, Fla. where he has consulted with the partners of a local firm there, Gerald R. Jobin Investments Ltd. He met with the members of the United Churches of St. Petersburg at Christ Methodist Church. Over 30 ministers heard the plan explained and outlined to them. Further follow up has all been prepared — letters that are to be signed and mailed by the cooperating ministers of the various churches; sample forms of trust agreements; methods of eliminating possible conflict by donors' attorneys who might not be fully conversant with the plan, and who erroneously might offer objections that, although unsound, could defeat the ultimate sale of Mutual Funds which is the end result desired by the dealer; a trustee who is willing to hold the trustee property at a very reasonable cost to the maker of the trust—all these points have been worked out by Helbig as a result of his own successful experience in this work.

There Is a Real Tax Savings For the Investor

I can't go into a lot of detail here but this is just one example of what can be accomplished. Take a single person with an income of \$35,000 this year and

who is aged 51. His income tax for 1954 will be \$15,370. This same person if he made a gift to his favorite charity under Helbig's "Charity & Income Benefits" plan would only have to pay a tax of \$11,608 this year, providing he bought \$14,195.60 of a Mutual Fund, then set up an irrevocable living trust naming the particular charitable organization that he wished to receive the principal upon his death. He would continue to enjoy the income from this investment during the rest of his life, but he would also save \$3,762 in income tax payments for this year. Figured another way, he would have an income on a net cost investment (\$14,195.60 less tax savings of \$3,762) of \$10,433, assuming a 4½% return on the Fund (or \$638), which amounts to 6.1% on his actual net cost after tax savings.

Why Mutual Funds?

You know the answers—the investor can pick his own choice of investments, there are bond funds, growth funds, balanced type funds, all common stock funds, he doesn't have to take some one else's suggestions on how his money should be invested now or later. He has convenience, and this is the only method that can be used where very low trustee fees can be obtained that enable the donor of moderate size gifts to accomplish this worthy objective. He also has top flight expert management, continuous supervision, diversification—you know all this.

Now here's the surprise: this

plan can be used even on small accounts. Helbig tells me that one of his customers made a gift of \$1,000 to a hospital under an irrevocable living trust agreement and she saved over \$270 in income taxes. To a person of modest means this is quite an event; besides she felt pretty good about the bequest to the hospital. Then she bought another \$3,000 worth of funds in addition.

The above story of the Helbig charity plan resulting in tax savings not ordinarily apparent to the rank and file of donors is related here as an indication of the sort of desirable thinking by a dealer that not only stimulates immediate direct business related to a charitable contribution, but paves the way for much other profitable business of a personal investment nature.

Frank Edenfield Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—George G. Schorr has been added to the staff of Frank L. Edenfield & Co., 8340 Northeast Second Avenue. Mr. Schorr was previously with Oakes & Co. and Barham & Co.

With Walter Raynor Co.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb. — William J. Raynor has joined the staff of Walter V. Raynor & Co., Inc., First National Bank Building.

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Continued from first page

Oils the Fund Favorites In Third Quarter

continued divided on the electric utility and building issues.

Market Expectations

Why the apparent continued disregard of high security price levels and the interest in more cyclical types of equities as well as a comparatively minor proportion of non-defensive types of securities in portfolios? Charles Devens, President of Incorporated Investors, points out in his quarterly report, to stockholders: "Despite the rise in the price of stocks, we do not regard the present level as too high when consideration is given to stock yields compared to bond yields, and to historic price-earnings ratios, the long-term outlook for the economy and the possible hedge against future inflation that common stocks may offer. We believe that the price rise in the past year merely reflects a return to a more normal valuation of earning power than has prevailed since the end of the war. Many people during recent years believed that a depression was inevitable and therefore were not willing to place a fair valuation on earning power."

Overall Portfolio Policy Unchanged

There was not too much of a change during the period under review in over-all portfolio composition as between defensive and more volatile types of securities despite the high general level of equity prices. Total cash and governments increased slightly, but only 25 companies added such liquid reserves as contrasted with 28 in the June quarter. At the same time exactly two more managements purchased common stocks on balance than during the previous period. Stein Roe and Farnham continued to shift in light volume from bonds to preferred stocks while Scudder Stevens and Clark Balanced Fund lightened its more speculative bond holdings and also added to its investment in preferred issues. Undoubtedly consideration was given to the new tax bill in the latter instance. But somewhat counter to the trend was the shift of Nation-Wide from junior to senior equities.

Problems of Concentration

The concentrated buying of securities in a particular industry, such as the oils, continues to be a lively topic of conversation in fund circles. As usual where investment policy is concerned, there is something less than unanimity on this particular as-

pect. Generally pinpointed in these discussions is the question of diversification and marketability for profit-taking and other reasons.

The largest current holdings of oils expressed percentage-wise follow:

U. S. & Foreign Securities	46.3
Amer. European Securities	45.8*
U. S. & Int'l. Securities	38.0
General American Investors	42.0†
Lehman Corporation	32.6†
American Int'l. Corp.	29.3
State St. Investment Corp.	24.8
Mass. Investors Growth	23.6
Stock Fund	23.6
Mass. Investors Trust	21.3
Incorporated Investors	21.0
Fundamental Investors	20.8
Adams Express	18.5
Fidelity Fund	18.1

*Percentage June 30, substantially unchanged.
†Includes some natural gas producers.

Mindful of the problems involved in profit-taking, should chief concern about diversification be confined to the investment in individual issues rather than in any one industry group? This, too, of course presents problems in today's markets. For example, Arnold Bernhard points out in the quarterly report of Value Line Fund that it has "liquidated about one-fifth of its holdings of National Homes. This stock had risen so widely that it came to account for an abnormally large percent of the Fund's total capital. The sale of a small portion was deemed advisable in order to maintain a proper diversification pattern in the portfolio."

For Letting Profits Run

George A. Bailey, President, in the September quarterly report of Sovereign Investors expresses the conservative's point of view for allowing profits to run rather than realizing the gains: "It is the intention of your management to continue the policy of purchasing fundamentally sound securities of companies with good future prospects and to make dividend distributions primarily from investment income. Your management does not deem it advisable to take profits on individual issues held by the fund, simply for the purpose of paying out larger distributions. We feel that an increase in the value of the stockholders' invested capital, if retained in its invested form, should ultimately give rise to an increase in the earning power of the original investment and thus to an

increase in dividends to you as a stockholder."

However there may be somewhat of a compromise possible for the policy expressed by Mr. Bailey which is illustrated by an interesting switch made by Investors Mutual during the period. Realizing profits of about \$800,000, managers of this fund eliminated shares of du Pont and added to holdings of Christiana Securities. Another interesting portfolio operation in the same fund was the sale of 4,500 shares of Commercial Credit and 6,000 shares of C. I. T. Financial Corporation, and the purchase of 25,800 shares of Seaboard Finance. Axe-Houghton Stock Fund made a switch during the period from American Broadcasting-Paramount Theatres to Paramount Pictures Corporation, while Overseas Securities sold U. S. and International Securities and bought U. S. and Foreign.

Policy Toward Montgomery Ward

Undoubtedly this underlying feeling of optimism has been a contributing factor to the funds' long continued liquidation of shares in Montgomery Ward, whose Sewell Avery still sits on a mountainous pile of cash waiting for the present economy to fall apart at the seams. Neither is publicized corporate controversy relished by investment company management. At one time not so long ago Ward represented a major commitment of the funds, but currently holdings approximate 200,000 shares. During the September quarter it was the least popular retail issue with the investment managers, five selling 15,000 shares. Two of these, New England Fund and Knickerbocker Fund, eliminated the stock from their portfolios. Massachusetts Investors Trust's sale of 5,000 shares brought its holdings down to 20,000.

Following is the stock held in the portfolios of the 63 funds covered in this survey. In addition other funds are known to hold at least 8,000 shares:

Holdings of Montgomery Ward Common Stock

(September 30, 1954)

Affiliated Fund	90,000
American Business Shares	15,000
Investors Mutual	24,000
Mass. Investors Trust	20,000
Wellington Fund	16,000
General Capital Corp.	4,000
Fidelity Fund	3,000
Group Securities	
Common Stock Fund	2,000
Axe-Houghton Fund "B"	1,000
Commonwealth Inv. Corp.	1,000
Mutual Investment Fund	500
Bowling Green Fund	200
Other	8,000
Total Holdings	184,700

Few unfamiliar names appeared in portfolios during the third quarter of the year. State Street Investment Corp. purchased Trans Mountain Oil Pipe Line; Unilever and Signode Steel Strapping were added to the holdings of Bullock Fund, while a really fresh name—Stylon Corporation—gaced the list of the Value Line Fund.

Buying of the Oils

Standard Oil of New Jersey led the petroleum parade during this period. Excluding stock re-

ceived as a distribution from Standard of Indiana, 13 funds added a total of 30,604 shares. Jersey had been top favorite likewise in the previous period. Sinclair was the next most popular issue, nine trusts buying 35,200 shares, one of which made a new commitment. There was no selling of this stock which had been third best liked in the group during the preceding three months. Union Oil of California ranked third in popularity among the petroleum issues, five initial commitments and two portfolio additions totaling 49,100 shares. Six managements liked Standard Oil of California, purchases equaling 22,800 shares; selling of two blocks amounted to 4,500 shares. Five trusts each bought 4,600 shares of Phillips, 30,750 shares of Socony Vacuum (three making initial purchases), and 29,700 shares of Texas Co. Louisiana Land and Exploration was acquired by four trusts, one making a new commitment. A like number of funds added 35,800 shares of Mid-Continent Petroleum and 21,200 shares of the 50-Guilder shares of Royal Dutch Petroleum.

An additional 16,240 shares of the latter issue were acquired through the stock split-up and in exchange for New York shares. Three additions totaling 6,700 shares were made to the already substantial holdings of Amerada. Two funds each purchased Atlantic Refining and Sunray. Selling transactions in the oils were only half the purchases and were scattered throughout the list. The sole issue lightened on balance was Anderson-Prichard Oil, a total of 13,500 shares being decreased in two portfolios and eliminated from a third.

Concentrated Buying of the Steels

Purchases of United States Steel by 16 managements topped the number of acquisitions of the preceding period by one. A total of 142,800 shares were bought, three blocks of which represented initial commitments. Profit-taking in three other portfolios equaled 18,000 shares. Bethlehem's addition to 12 portfolios also matched those of the June quarter, but current share volume of 25,800 was smaller. The remaining additions in this industry were also highly concentrated as contrasted with the oils. Nine funds acquired 77,500 shares of Armco Steel, a third of these making new purchases; two others sold 7,000 shares on balance. Inland Steel and Jones and Laughlin were each added to three portfolios. Acquisitions of the former tallied 6,600 shares and of the latter, 26,100. Selling in the steel group was scattered and represented one-third of the purchase transactions.

Buying in the rails increased 10% over the preceding quarter as compared with the 20% rise in the oils and steels. Purchases were concentrated on an unusually broad list of issues illustrated by purchases in such roads as Lehigh Valley, two funds buying on balance for the first time in the nine-year period covered by these surveys. Most popular carrier during the quarter, however, was Southern Pacific seven trusts adding a total of 12,200 shares to their

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Changes in Common Stock Holdings of 46 Investment Management Groups

(June 30 — September 30, 1954)

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

—Bought—		—Sold—		—Bought—		—Sold—	
No. of Trusts	No. of Shares	No. of Shares	No. of Trusts	No. of Trusts	No. of Shares	No. of Shares	No. of Trusts
Agricultural Equipment							
6(1)	8,100	2,000	1	2(2)	1,000	None	None
				6(1)	19,936.60	48	2
Auto and Auto Parts							
2(2)	11,000	None	None	2(1)	2,500	None	None
3(2)	6,000	None	None	3	11,050	7,000	1
7(4)	80,100	100	1	3(3)	14,500	6,000	1
3(1)	11,000	2,000	1				
2(2)	1,800	None	None				
4	306	16,820	4(4)				
Aviation							
5(2)	14,200	None	None	3(1)	2,500	220	1(1)
8(8)	19,465	19,999 ^{2/3}	2	3(2)	7,000	15,000	1(1)
1(1)	1,500	45,600	8(3)	2	3,300	None	None
None	None	15,800	7(2)	6(2)	26,000	None	None
None	None	35,785	2(1)	4(1)	9,450	1,900	1
Beverages							
None	None	1,200	2(2)	3 (new)	2,500	None	None
None	None	3,500	2(1)				
Building Construction & Equip.							
5(2)	34,300	6,000	2(1)	3	7,900	None	None
4(1)	10,200	None	None	4(2)	5,100	None	None
3	7,100	None	None	3(2)	24,000	3,000	1(1)
2	1,245	None	None	1	14,000	11,100	4(1)
3(1)	1,500	200	1	1(1)	500	2,500	3
None	None	11,000	2(1)				
None	None	1,200	2(1)				
1(1)	2,000	13,600	3(2)				
None	None	800	2(1)				
None	None	2,000	2				
1(1)	1,000	18,800	3(1)				
None	None	4,200	2				
None	None	8,500	2(1)				
Chemicals							
2(2)	1,700	None	None	1	4,000	None	None
2	8,800	None	None	None	None	4,060	3(1)
3(3)	27,500	3,300	1				
2(2)	22,200	None	None				
5	16,400	25,500	3				
None	None	15,000	2(2)				
None	None	21,800	2(1)				
2	500	17,900	6(2)				
None	None	17,500	2(2)				
None	None	20,800	4(2)				
None	None	3,900	3(2)				
None	None	2,210	2				
Containers and Glass							
4(1)	6,500	6,400	2(1)	7	12,000	None	None
2	4,800	None	None	3	1,500	None	None
2(1)	12,500	26,700	4(1)	4(2)	11,400	8,000	2
1	3,000	3,600	4(1)	6	22,114	10,564	3
None	None	11,500	2(1)	6(3)	27,900	None	None
None	None	11,200	2	4(1)	25,000	300	1
Drug Products							
5(3)	17,500	37,000	3(2)	5(2)	16,140	2,800	1
6	30,000	27,000	4(3)	2(1)	4,000	None	None
3	26,000	5,900	1(1)	None	None	26,800	4(2)
2	4,365	None	None	None	None	11,500	3(1)
None	None	2,600	2(1)	None	None	6,200	2(1)
None	None	6,000	2	1	1,000	17,700	4
Electrical Equipment							
3(2)	25,100	800	1	None	None	2,400	2
6(2)	46,200	8,000	3(1)	None	None	68,400	2(1)
2	4,400	None	None	1	5,000	8,198	2
2	1,500	None	None	1	None	8,500	3
None	None	37,200	9	None	None	4,100	3
None	None	10,600	3(1)	None	None	7,200	2(1)
None	None	200	2	None	None	38,300	3(2)
Financial, Banking & Insurance							
3(1)	8,200	None	None	1	5,100	4,400	2
2	2,100	None	None	None	None	7,600	3
2	11,300	None	None	4(1)	12,100	2,600	2(1)
6(2)	42,300	4,500	1	2	650	None	None
2	7,350	None	None	5(1)	4,900	500	2
2(2)	8,750	None	None	3	15,400	None	None
2	2,300	None	None	3(1)	19,500	500	1
3	30,250	12,000	1(1)	7(5)	35,050	None	None
2(1)	28,800	None	None	2(1)	14,500	None	None
None	None	880	2	2(1)	15,000	None	None
None	None	4,250	2(1)	4(1)	13,500	None	None
Food Products							
3	1,800	None	None	5(1 ^{1/2})	19,000	13,400	3(2)
2	5,300	None	None	2	24,000	None	None
2	1,600	None	None	5(2)	9,700	2,500	2(1)
3(2)	9,000	None	None	7	12,200	14,000	2(1)
2	7,400	None	None	4(2)	6,600	400	1(1)
1 (old)	1,400	2,000 old	1	4(3)	9,200	12,500	2(2)
None	None	22,800 new	2	None	None	1,700	2(1)
None	None	6,200	2(1)	None	None	8,800	2
Machinery & Industrial Equip.							
Metals and Mining							
Paper, Pulp and Printing							
Petroleum							
Natural Gas							
Public Utilities							
Radio and Amusement							
Railroads							

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No. of Trusts	No. of Shares	No. of Shares	No. of Trusts
Railroad Equipment			
2	29,200	None	None
None	None	3,900	2(1)
Retail Trade			
4(1)	4,700	3,100	1
4(2)	10,500	2,100	1
2(1)	18,450	None	None
2	1,100	None	None
1	700	17,000	3(2)
1	500	15,000	5(2)
Rubber and Tires			
3	3,500	3,300	1(1/2)
6(1)	25,200	1,000	1
2(1)	8,000	9,161	4(3 1/2)
Steels			
9(3)	77,500	7,000	2(1)
12(1)	25,800	17,400	2
3(1)	6,600	None	None
3(2)	26,100	None	None
16(3)	142,800	18,000	3(3)
Textiles			
3(1)	21,000	14,000	1(1)
7(1)	57,100	63,000	1(1)
3(1)	3,000	42,300	7(3)
None	None	25,300	3(2)
Tobaccos			
2	5,500	None	None
None	None	6,800	2(2)
2	4,500	31,500	4(4)
Miscellaneous			
2(1)	6,500	None	None
2(1)	10,000	None	None

FOOTNOTES

- 1 Additions represent stock dividend.
- 2 Distribution from United Aircraft. Basis: 1 for 3 UR.
- 3 Excludes 5% stock dividend.
- 4 Excludes stock received as 4% dividend.
- 5 Does not include stock additions resulting from 2 for 1 split-up.
- 6 12,840 shares received in 2 for 1 split-up. 3,400 shares received in exchange for New York shares.
- 7 3,951 shares distributed by Standard Oil (Indiana). Basis: 5 Jersey for 300 Indiana.
- 8 700 shares received as spin-off from Electric Bond and Share.
- 9 Additions represent distribution from Commonwealth Edison.
- 10 19,581 shares purchased through rights.
- 11 5,300 shares converted from preferred.

NOTE—This survey covers 63 investment companies, but purchases or sales of funds sponsored by the same management are treated as a unit. For example, the three companies sponsored by E. W. Axe and Co. are considered as having the weight of one manager. Individual portfolio changes in the Loomis-Sayles Mutual Fund are not surveyed.

SUMMARY

Excess of Net Portfolio Purchases or Sales of 63 Investment Companies

Open-End Companies:	Bought	Sold	Matched	Total
Balanced Funds	10	6	6	22
Stock Funds	14	5	11	30
Closed-End Companies	1	4	6	11
Totals	25	15	23	63

Continued from page 27

Oils the Fund Favorites In Third Quarter

had been distributed by Commonwealth Edison during the previous quarter. A total of 76,500 Western Natural Gas was lightened in two portfolios and eliminated from a third.

Caterpillar Tractor was the favorite in the machinery and industrial equipment group, six managements acquiring almost 20,000 shares. Half as many funds added 11,050 shares of Food Machinery and three also made initial commitments in Halliburton equalling 14,500 shares. Briggs and Stratton and Dresser were also liked by a couple of managements. There was no concentrated selling on balance in this group nor in the somewhat related agricultural equipment shares among which International Harvester was the one favorite during the period. Six managements acquired a total of 8,100 shares of this latter issue.

80,000 Shares of GM Bought

General Motors continued to be the popular stock in the auto and auto parts division seven funds acquiring 80,000 shares. Ford of Canada, which one trust had bought in the June quarter, and three, in the first three months of the year, was initially

bought by two more trusts and increased by a third. Purchases equaled 6,000 shares. Parts manufacturers such as Libby-Owens-Ford were liked by three funds which added 11,000 shares. Federal Mogul and Sheller Manufacturing were also initially acquired by two companies. Concentrated selling on balance was directed at Electric Auto-Lite, four managements eliminating 16,820 shares. Thompson Products also was lightened in two portfolios. Opinion was fairly well divided on Chrysler. Although there were four complete portfolio eliminations, these were offset by two new commitments and three additions.

Food stocks were better liked than three months earlier in the year when management opinion was divided on the group. Pillsbury and Archer-Daniels-Midland were the favorites, three trusts acquiring 9,600 shares of the former and 1,800 of the later. Two acquisitions of Pillsbury represented initial purchases. Also bought, each by two trusts, were Continental Baking, Corn Products and Wrigley. National Dairy and West Indies Sugar were both sold on balance.

Although purchases of paper

and pulp issues were off 25% from the June quarter, they were still among the first 10 industrial groups favored by fund managers. Lily Tulip Cup continued as the best bought individual issue, two new commitments and two portfolio additions totaling 5,100 shares. Three acquisitions of Crown Zellerbach equaled 7,900 shares and a like number in St. Regis Paper totaled 24,000; two of the latter were initial purchases. Rayonier was lightened in three portfolios and eliminated from a fourth. Sales equaled 11,100 shares, but partially offsetting was an addition of 14,000 shares to a fifth fund's holdings. Three managements also decreased their investments in Union Bag and Paper.

Buying of Pharmaceuticals

Trusts switched to the buying side in Merck on which opinion had been divided earlier in the year. Six funds added a total of 30,000 shares, although three also eliminated the stock from their portfolios and a fourth lightened holdings. Purchasers of Pfizer were half those of Merck but there was only one offsetting portfolio elimination. Smith, Kline and French, which, along with Sterling Drug was the only representative of the group to be bought on balance during the June period, was currently liked by two managements. A total of 17,500 shares of Colgate was initially acquired by three trusts and added to the holdings of three others. American Home Products and Eli Lilly were sold on balance by two managements.

United Merchants the Textile Favorite

United Merchants and Manufacturers was easily the favorite in the textile group which was bought on light balance as during the previous period. Seven trusts acquired a total of 57,100 shares, one making an initial commitment. One block of 63,000 was eliminated by Massachusetts Investors Trust. Managers switched to the buying side of J. P. Stevens, three purchasing 21,000 shares. One lot of 14,000 shares was disposed of by a fourth fund. Sellers concentrated on American Viscose, three portfolio eliminations and four decreases equalling 42,300 shares.

Finance companies were purchased on balance in about the same amount as during the previous three months. However, Commercial Credit was the current favorite while opinion was fairly well divided on C. I. T. Financial Corporation; in the June quarter their positions had been reversed. Six managements currently acquired a total of 42,300 shares of Commercial Credit, two making new commitments. Offsetting was one sale of 4,500 shares. Beneficial Loan was bought by three trusts while there were two purchases each of Seaboard Finance and Industrial Acceptance, those of the latter representing initial acquisitions.

Bank stocks were also bought on balance as earlier in the year. Best liked issue in the group was Marine Midland, three portfolio additions equalling 30,250 shares. Partially offsetting was the complete elimination from holdings of

a 12,000 share block. Chemical, First Bank Stock Corporation and Manufacturers Trust were each acquired by two funds. The latter had been the only group representative bought on balance in the second quarter. Security-First National Bank of Los Angeles was the sole bank stock currently sold on balance, two trusts disposing of 4,250 shares. Opinion was divided on the insurance stocks which had been favored on balance during the first half of the year. Volume was comparatively light and transactions were scattered among several issues.

Rubber issues were slightly favored with United States Rubber the best-liked in the group. Six managements acquired a total of 25,200 shares, one making a new commitment. Firestone was also bought on balance by three trusts, purchases totaling 3,500 shares. Goodyear, however, was eliminated from three portfolios and lightened in a fourth. The decreased rate of liquidation in the tobaccos was paced by Reynolds "B," with four funds completely disposing of holdings equalling 31,500 shares. Partially offsetting were two additions amounting to 4,500 shares. Philip Morris was also eliminated from two portfolios, but Lorillard was bought on balance by two other managements. Liquor and soft drink stocks were sold in small volume, two funds each disposing of Hiram Walker and Coca Cola.

Chemicals Out of Favor

Least popular group during the period, however, was the chemicals on which opinion had been divided in the previous quarter. Six trusts took profits in duPont two eliminating the issue from their portfolios; a total of 17,900 shares was sold, 20,800 shares of Koppers were disposed of by four managements while three sold 3,900 shares of Olin-Mathieson. Two investment companies sold Commercial Solvents, International Minerals and Chemicals and Pittsburgh Coke and Chemical. Monsanto was the favorite in the Chemical division, five funds increasing holdings by 16,400 shares. Offsetting were three portfolio decreases. Three new commitments totaling 27,500 shares were made in Diamond Alkali, while there were two purchases each of Allied Chemical, Blockson Chemical and Filtrol.

Second group in importance to be sold on balance were the aircrafts, as rising prices induced profit-taking and caution in making new commitments. Eight managements disposed of a total of 45,600 shares of Boeing, three completely eliminating the stock from holdings. Douglas was next least popular in the group, seven trusts selling 15,800 shares; two of these cleaned out the entire issue from their portfolios. A total of 35,785 shares of Lockheed was sold by two funds. American Airlines was the only carrier to be purchased on balance during the period with two new commitments and three additions to existing holdings equalling 14,200 shares. Opinion was divided on Eastern and United Airlines. A total of 19,465 shares of Chance-Vought was distributed by United

Continued on page 30

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Continued from page 29

Oils the Fund Favorites In Third Quarter

Aircraft via a spin-off to eight investment companies.

Profit-Taking in Electrical Equipments

Profit taking in the electrical equipments was featured by nine sales of General Electric totaling 37,200 shares. In the previous quarter there were 12 realizing transactions in this issue. Square "D" was lightened in two portfolios and eliminated from a third. Opinion was divided on McGraw Electric which had suffered from pronounced profit-taking in the previous quarter. There was also a division of opinion on Westinghouse which had been the favorite of the group in the June period. The radio and certain electronics, however, were currently being bought on balance. Lehman Corp. made new commitments of 15,000 Admiral, 5,000 Motorola and 10,000 Philco. Philco also was purchased by two other funds, acquisitions totaling 25,100 shares. Six managements purchased 46,200 shares of Radio Corporation and there were two additions each of Raytheon and Stromberg Carlson.

In addition to the five sales of Montgomery Ward in the merchandising group, Federated Department Stores was also sold on balance, two trusts eliminating the issue from their holdings and a third lightening its commitment. There was a great amount of scattered selling in several other stocks in single transactions. Allied Stores and Associated Dry Goods were liked as during the previous three months. Each was bought by four managements. Two purchases were also made in Dominion Stores, Ltd. and Western Auto Supply.

The container and glass issues were sold on balance with American Can and Corning Glass Works each liquidated by four funds. Crown Cork and Seal and Emhart were also disposed of by two trusts. In contrast to this selling, Continental Can was purchased on balance. Four investment companies acquired a total of 6,500 shares, one making an initial purchase.

The office equipment stocks were rather neglected with opinion evenly divided in the few transactions which occurred. Transactions, as noted, were also evenly split in the building construction and equipment issues. American Radiator was bought on balance by five companies, purchases totaling 34,300 shares. Flintkote was liked by four funds and three each added shares of Johns-Manville and United States Gypsum. In contrast, National Gypsum along with Glidden, were each sold on balance by three trusts. Certain-teed, General Portland and Lone Star Cements, Minneapolis-Honeywell, National

Lead and United States Plywood were all liquidated by two managements.

Paramount Pictures was the only feature in a divided amusement group, four purchases equaling 12,100 shares. One off-setting block amounted to 19,500 shares.

Lightening of Utilities

With the bears having a very slight edge in the electric utility stocks, Carolina Power and Light and Gulf States Utilities were the least popular issues, four managements selling each on balance. Liquidation was scattered over the list generally, however, with Affiliated Fund, American Business

Shares, Fidelity Fund and Fundamental Investors, in particular, taking profits in issues purchased at considerably lower prices. Consumers Power, Pacific Gas and Electric, Public Service of Colorado, Southern Co. and Virginia Electric and Power were each sold by three funds. Puget Sound Power and Light was the best bought issue in the group as it had been in the previous quarter. Six trusts acquired a total of 27,900 shares, half of these making initial commitments. American Telephone was also a leader in the communication group, seven funds adding a total of 12,000 shares. Other electric utilities well bought during the current three months were Columbus and Southern Ohio Electric and Southern California Edison, each by four managements, Central and Southwest Corporation by three and Wisconsin Electric Power by two funds. Purchases of Middle South Utilities were stimulated by a rights offering.

Wood Nominated Chairman of Board of Governors

WASHINGTON—Harold E. Wood, St. Paul, Minn., has been nominated Chairman of the Board of Governors of the National Association of Securities Dealers, Inc. His election will take place at a meeting of the board next January.



Harold E. Wood



George F. Noyes



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Roy W. Doolittle



Wallace H. Fulton

Mr. Wood is President of Harold E. Wood & Company, a former Governor of the Investment Bankers Association of America, and an Ex-Chairman of the Minnesota group of that association. He will succeed Edward C. George, Vice-President and a director of Harriman Ripley & Co., Inc., Chicago.

Other nominees for NASD offices, who will also take office in January, follow:

George F. Noyes, Vice-President, The Illinois Company, Chicago, Vice-Chairman.

William H. Potter, Jr., Senior Vice-President, The First Boston Corporation, Boston, Vice-Chairman.

Roy W. Doolittle, senior partner, Doolittle & Co., Buffalo, N. Y., Treasurer.

Wallace H. Fulton, Washington, D. C., Executive Director.

The NASD is the self-regulation organization of the securities business with over 3,100 members.

Continued from page 5

Money Management Problems— Prospects for the Interest Pattern

that this shifting has nothing to do with liquidity, yet you would be unable to take advantage of favorable yield spreads unless your portfolio turned over as the result of amortization payments and maturities and/or you liquidated securities through sale.

I applaud your reluctance to speculate on a rise or fall in the level of interest rates by shifting from cash to long-term securities and back to cash. Yet there seems to be some difference of opinion as to the extent to which you have at times anticipated changes in interest rates by building up liquid assets.

Behavior of Liquid Assets

Chart No. 1 shows that there was a distinct rise in the amount of short-term Government securities held by life insurance companies after the outbreak of war in Korea, that such holdings declined between February, 1951 and May, 1953, and that they have risen somewhat in the past several months. (The logarithmic scale of the chart exaggerates the importance of the changes relative to the total assets.) I am impressed with O'Leary's explanation that these fluctuations are related to fluctuations in mortgage and other commitments and are not to be explained by the efforts of portfolio managers to anticipate interest rate changes (James O'Leary "The Institutional Savings Investment Powers and Current Economic Theory," *American Economic Review*, Papers and Proceedings of the Sixty-sixth Annual Meeting of the American Economic Association, Vol. XLIV, No. 2, May, 1954, p. 461). Yet, Hallowell has argued that uncertainty about the future of long-term rates on Governments has also played a role. (*Op. cit.* p. 484, and also see *Journal of Finance*, May, 1952, p. 328.) Since the data on commitments compiled by your industry are not given to outsiders like myself it is difficult for me to draw firm conclusions on this question.

Implications of Remaining Fully Invested

In adopting a policy of remaining fully invested and in making forward commitments to deliver funds at current rates, insurance companies appear to me to be taking a position which will protect them against a future decline in rates. (The making of forward commitments is also influenced by the availability of mortgages and by certain technical arrangements.) If rates do rise the investor misses an opportunity to have obtained somewhat higher rates as he might have done by waiting. On the other hand, a decision to build up liquid assets implies that rates will rise. If judgment is wrong and rates fall the penalty is heavy since earnings are irretrievably lost. Therefore, essentially the "cost"

of remaining fully invested is that you forsake possible opportunities to gain but avoid an irretrievable surrender of income.

Perhaps the question whether the post-Korea increases in liquid assets was attributable to increases in forward commitments rather than to expectations of a rise in interest rates is academic. However, there would seem to be no need to build up liquid assets to cover forward commitments unless they become large enough to necessitate the sale of other assets in a market where interest rates are expected to rise. Perhaps a practical distinction can be drawn between the withholding of funds in anticipation of a rise in interest rates and the shifting of long-term investments from one category to another in response to yield differentials that emerge from time to time. However, theoretically, I am not sure how important the distinction is. In any event, by remaining fully invested your ability to switch is limited by the boundaries of your portfolio turnover. If you wish to engage in more extensive switching operations you will be forced to sell securities. If the long-term rate of interest rises you will find yourself faced with the necessity of selling securities at a loss and of charging the realized loss against surplus. In the postwar period insurance companies have been net sellers of Government securities for the purpose of acquiring higher yielding mortgages and corporate obligations. The timing of these shifts has been influenced by the prices at which you are able to sell Governments. There is no way out of this predicament unless you undertake to speculate on interest rate fluctuations by varying your holdings of liquid assets.

Forecasting of Interest Rates

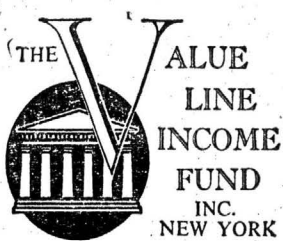
I have no worthwhile advice to give you with regard to taking advantage of yield differentials. The reasons why spreads vary are numerous. Apart from credit risks some of the obvious factors are the following: the relative supplies of new securities of different categories coming on the market; shifts in investor preferences; changes in the tax status of the dominant investors; changes in legal eligibility of various classes of securities. To me the problem of anticipating changes in the yield spreads among various classes of securities is as complex as that of anticipating changes in the level and term structure of yields.

I suppose that the principal area in which you are most interested is that between the yield on mortgages and the yields on long-term governments and high grade corporate obligations. During the past year as you all know the decline in long-term yields in governments has favored a shift into mortgages where the rates are relatively sticky. The favorable differential will persist until yields on long-term governments rise.

Having unburdened myself of these general observations I now turn to the luncheon table aspects of your money management problem. At least you do speculate conversationally with regard to interest rate movements. Therefore, I shall attempt to outline some of the difficulties in forecasting in order to remind you that this is an extremely hazardous occupation.

Forecasting Interest Rates

If we assume that a speculator wants to maximize his future income, he will hold cash or con-



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fine his investments to short-term obligations when he expects rates to rise soon or by a large amount. Conversely, he will invest in longer maturities when he expects rates to fall. The estimate of the relative profitability of short- and long-term securities depends on a forecast of future rates in both markets. Essentially the speculator compares the return for a given long-term investment with the return that he thinks can be realized in the short market over the same term.

Every forecast implies a theory—or at least a presumption—about the future course of interest rates. It has been said that ignorance presumes where knowledge is timid. What sort of knowledge do we possess?

In the first place, we have not yet developed a theory of interest which lends itself to forecasting. The theoretical literature is highly controversial. Moreover, the theories employ concepts which do not easily lend themselves to statistical measurement and testing. Most theories take into account in one way or another a variety of complex variables. The subtle influence of some of these variables, for example, the expectations of others in the market, Federal Reserve monetary and Treasury debt management policies, can not be evaluated quantitatively.

Demand and Supply Analysis

There is a popular view which holds that, since interest rates are determined by "demand and supply," forecasts of changes in interest rates can be made simply by aggregating projected demands and supplies of loanable funds for a given period of time. Aggregative analysis of this type is a useful mental exercise which puts the problem in focus. It affords a basis for judgment as to the general direction of events but gives no precise measurement of the amount and timing of changes in interest rates. By definition, "investment" always equals "savings," "borrowing" always equals "lending," "uses" always equals "sources" of funds. The completed projection does not itself indicate the rate of interest which will equalize either the demand and supply of loanable funds, the uses and sources of funds, or the demand for and supply of money. On the contrary, some assumption concerning interest rates is implicit in these models. However,

models which are constructed *ex ante* on the basis of planned investment, consumption and savings will indicate the magnitude of the "gaps" which must be closed in time through economic adjustments of all kinds including changes in interest rates. If projected demands are greater than projected supplies, rates will rise and, conversely, if supply exceeds demand rates will fall. However, such an over-simplification of the problem is of little help in forecasting the timing and the degree of change in interest rates.

Time does not permit me to analyze all of the components of the demand and supply for funds nor to discuss how they may shift in response to income, prices and interest rates. In general, demand appears to be a more unstable factor than the supply of private savings, a high proportion of which is now of an automatic or semi-automatic nature. Consequently, prospective changes in demand are the important clue to changes in rates. The most critical component in the supply of "loanable funds" is that furnished by the banking system. This supply can be increased or decreased by the action of the central bank. The important fact is that changes in the money supply caused by central banking operations indirectly produce changes in the flow of income and hence, in the amount of "savings."

Forecasting From the Structure Of Rates

The considerations thus far mentioned have dealt with the general level of interest rates, an abstract concept. Until recently little attention was paid by theoretical writers to the structure of rates, it being assumed that the whole family of interest rates moved together. With the pronounced changes which occurred in the early 1930's in the term structure of rates, short-term rates falling well below long-term rates, various writers focused attention on the factors that determine the relationship between short-term and long-term rates. A satisfactory theory of the term structure of rates would help to forecast bond yields if it were possible to lay down precise rules regarding the interrelationship of short and long rates. However, such rules can be evolved only upon realistic assumptions regarding the behavior of borrowers and lenders. Disagreement and confusion exists on the following points:

- (1) the "normal" structural relationship between short and long rates;
- (2) the future movements of rates that are implied by a given term structure; and
- (3) the casual relationship of short to long and of long to short rates.

Various attempts have been made to explain the term structure of rates. Three lines of approach are worth mentioning:

(1) The so-called "modern" approach, which originated with Irving Fisher, interprets long-term rates as averages of short rates, in other words, relates present long-term yields to the expected course of future short-term yields. A term structure in which short rates are currently below long rates implies that future short-term rates will rise. Conversely, a term structure in which short rates are above long implies that short-term rates will fall.

(2) The liquidity preference theories, propounded by Keynes, and modified by Hicks and others, regard interest as a reward for parting with liquidity. Long-term securities are less perfect substitutes for cash since gain or loss in the event of forced liquidation is greater. Thus, a mildly increasing term structure is regarded as "normal" in some sense. When short rates are expected to rise, the curve will ascend more precipitously. When short rates are expected to fall, the term structure will approach the horizontal type. Only when short rates are expected to fall sharply will the structure be of the decreasing type.

(3) The institutional approach does not appear to regard any particular structure as "normal" and emphasizes the growing importance of the role of commercial banks as suppliers of funds. In general, those who interpret the term structure in the light of institutional factors stress that the preference of borrowers and lenders is influenced by a variety of special considerations such as their inability to predict the future course of interest rates, the laws, customs and precepts of finance, all of which canalize funds into obligations having specific terms.

The complexity of the relationship of interest rates to other economic variables is indicated by the failure of statisticians to discover any simple pattern of association and by the controversial nature of interest rate theory.

There are no empirical or logical grounds for believing that bond yields can be forecasted under present day conditions by a simple mathematical function.

Federal Reserve and Treasury Policy

I turn now to the question of Federal Reserve and Treasury policies with respect to interest rates. Since the accord of March, 1951 Federal Reserve and Treasury policy has been based on an entirely new set of considerations. Theretofore, the main criterion in Federal Reserve policy was the maintenance of a given level of interest rates; the government securities market was supported through open market purchases according to a predetermined level and structure of yields. Treasury debt management policy as a practical matter, was aimed at borrowing at low cost in market supported by the Federal Reserve and the usual practice was to refinance maturing obligations at very short term. Since March, 1951, a fundamental reorientation occurred. The Federal Reserve now pursues a "flexible policy." While there is some doubt, even among the Federal Reserve authorities, about the meaning of "flexibility," it is quite clear that no attempt is being made to hold fixed any particular level or pattern of rates. However, policy undoubtedly does seek to influence interest rates whatever may be said officially about leaving this to the market place. The question is often asked: What specific factors guide Federal Reserve open market operations? One answer is given in the Record of Policy Actions of the Federal Open Market Committee which are published in the Annual Report of the Board of Governors. If you look at the 1953 directives you will find that open market operations are arranged with a view:

- (a) to relating the supply of funds to the needs of commerce and business;
- (b) to promoting growth and stability in the economy;
- (c) to correcting a disorderly situation in the government securities market; and

(d) to the practical administration of the account.

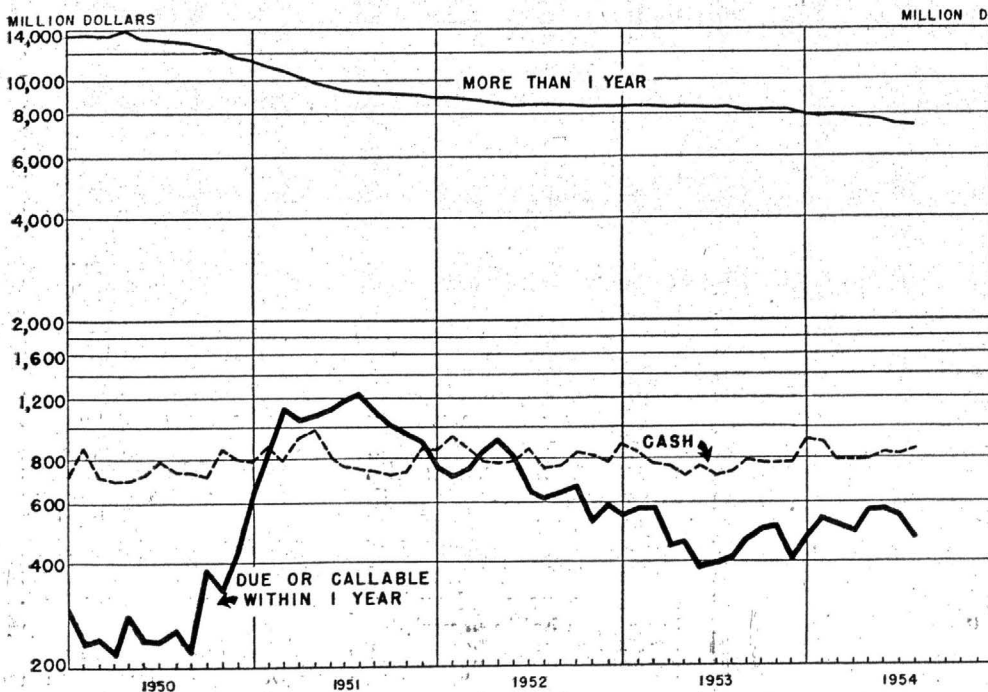
Bear in mind that 1953 was a year in which policy went through a complete reversal. Of the four points enumerated above only the wording of (b) was changed. In March this clause read "to exercise restraint upon inflationary developments"; in June, "to avoid deflationary tendencies without encouraging a renewal of inflationary developments"; in September, "to avoiding deflationary tendencies"; and in December, "to promoting growth and stability in the economy by actively maintaining a condition of ease in the money market." Although the policy record of 1954 has not yet been published, I presume that the policy objective is still to maintain a condition of ease in the money market, but just how actively is open to question.

The question, "how actively?" is an important one. Policy may assume a certain direction yet the intensity and vigor with which it is carried out will depend on economic, and, I might add political, developments. The Federal Reserve may sail the same course yet at times sail closer to the wind. I do not mean to cast any aspersions upon the motives of the authorities, but merely to suggest that they are subjected to strong partisan pressures and, being human, may be unconsciously influenced by them. Indeed, sometimes they must feel a sense of frustration. There is a story that a banker, for that matter he may have been an insurance company official, stopped in to compliment the Federal Reserve Board on a magnificent job it had done in keeping order in the economy through easing credit, a policy which, of course, had helped to advance the prices of government securities. "Now," he said, "the next job you really need to tackle is that of doing something to raise yields."

In the every-day execution of policy some judgment has to be made as to the amount of Federal Reserve credit to be released or withdrawn as well as the technique by which it will be released.

Continued on page 32

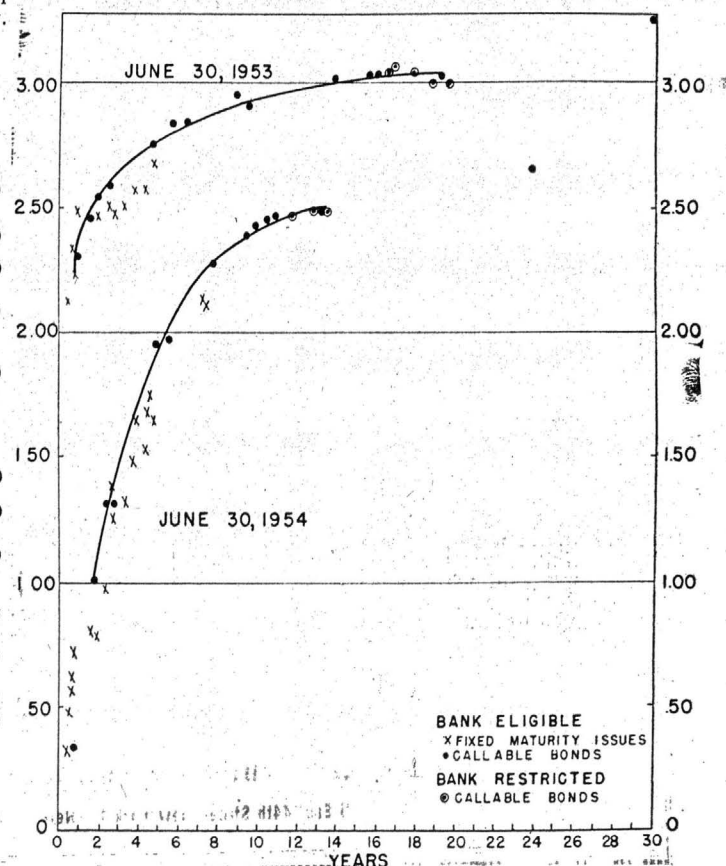
**CHART I
U.S. LIFE INSURANCE COMPANIES HOLDINGS OF CASH AND U.S. GOVERNMENT SECURITIES**



SOURCE OF DATA: LIFE INSURANCE ASSOCIATION OF AMERICA (MONTHLY RELEASE OF ASSETS OF 49 LEGAL RESERVE LIFE COMPANIES)

J.B.W.

**CHART II
YIELDS OF TAXABLE TREASURY SECURITIES*
(EXCLUDING ISSUES DUE OR CALLABLE IN LESS THAN 3 MOS.)**



*YIELDS TO CALL WHEN PRICES ARE ABOVE PAR AND TO MATURITY WHEN PRICES ARE AT OR BELOW PAR

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Money Management Problems— Prospects for the Interest Pattern

or withdrawn and these decisions have a very direct bearing on the behavior and structure of interest rates.

Now the forecaster of interest rate changes may have in mind the basic policy as gleaned from an earlier published record or from more recent speeches or statements by officials, yet he also knows that policy can change and that in the past it has sometimes been changed without any official announcement to that effect and on a few occasions in the face of an official denial, e. g., June, 1953. Usually, the announcement is ambiguous. Consequently, he suffers from an occupational disease—a kind of statistical myopia. As one commentator has described it, some persons "are able to discern and to identify such delicate gradations in the scale of credit control that they are able, on the basis of a single week's monetary statistics, to detect a change in current policy." The warning is that "too close a scrutiny of small developments in money factors, and too much importance assigned to small and short-run changes, may sometimes prevent observation of the policy picture as a whole." (Robert Van Cleave, C. F. Childs and Company, Review 198, Aug. 30, 1954.)

For better or worse the forecaster must rely in his daily work upon an interpretation of the published weekly statistics of Federal Reserve operations. It is important to recognize that weekly net changes sometimes do not give a true picture of what may have occurred. Daily averages are published only for member bank reserves and member bank borrowing. A much more important consideration is the fact that the Federal Reserve authorities are human beings capable of miscalculation and error. Those of you who are familiar with the variety of factors affecting member bank reserves know how difficult it is to project month-to-month or week-to-week, let alone daily changes in such factors as currency, gold, float, and required reserves. Some of these changes are often ephemeral. The result is that at times the Federal Reserve may release or withdraw more funds than it intended.

It should be recognized that the Federal Reserve may also miscalculate the reaction of the market. As one official expressed this, with respect to the spring of 1953, "Our technical judgment of the money supply was right but our projection of expectations of the community and its interpretation of policy was wrong." Policy execution is sometimes caught in a vicious circle of guessing the market's reaction while the market is trying to guess the Federal Reserve.

It is important to recognize that the basic direction of monetary and credit policy is not changed very often. True, adjustments are continually being made for seasonal influences and for changes in the climate of the market but the basic direction of policy is not often shifted. In retrospect, the turning points are relatively few and correspond with major changes in the cycle of business, even though belatedly.

Finally, the technique by which Federal Reserve credit is released or withdrawn may itself have a decided impact on the structure of rates. For example, it has been the policy of the Open Market Committee to confine its transactions to Treasury bills. Time does not permit me to discuss the theoretical aspects of the controversy between those who advocate that the Federal should limit its operations to Treasury bills and those

who favor market intervention on a broader scale. However, as a practical matter the result of concentrating the withdrawal and release of funds in the short-term sector of the money market is to intensify fluctuations in short-term money rates, particularly when errors are made in estimating seasonal needs.

Although we do not know precisely what guides a Federal Reserve "money manager" in his day-to-day occupation, we do know from observation of results that he has been paying attention to level of "free reserves," that is, the difference between member bank excess reserves and member bank borrowing. Chart No. 3 shows the upward movement in free reserves since the policy of active ease was adopted in mid-1953. It also shows fairly high correlation with the movement of the Treasury bill rate. Chart 4 shows the fluctuations of the Federal funds rate, a more sensitive measure of the "free reserve" position. Chart 5 shows that the decline in short-term rates has been relatively greater than for long-term rates, reflecting the impact of Federal Reserve operations in Treasury bills. Chart 2 affords an interesting comparison for certain dates of the term structure of yield on government securities.

Treasury Policies

The reorientation in March, 1951 in Federal Reserve policy, which I mentioned earlier, could not have been accomplished without the cooperation of the Treasury. On its part the Treasury is now willing to pay the going rate for money without prejudice to Federal Reserve credit policy. At the same time, it has endeavored to reconstruct the government debt by spacing maturities with less frequency than formerly and occasionally, depending on the general business outlook and money market conditions, has attempted to lengthen the average maturity of the debt.

Treasury borrowing policies have a pronounced influence upon the structure of interest rates. Borrowing operations of any kind, not merely efforts to fund the debt, are competitive. True, the Federal Reserve does endeavor to cushion the seasonal influence of Treasury demands but it can never entirely neutralize their effects. I am sure you are aware of the pronounced seasonal swing in Treasury receipts. Even though the cash budget may be approximately balanced on a fiscal year basis, a large deficit, about \$8 billion, now occurs in the six months July-December and a corresponding surplus from January to June. Although tremendous technical improvements have been made in the tax collection system as well as in short-term borrowing techniques, which minimize the money-market impact of seasonal fluctuations in the Treasury's cash flow, it is impossible to eliminate altogether the alternating impact upon the money market of the Mills plan which requires corporate taxes to be paid in the first half of the calendar year. The Revenue Act of 1954 contemplates an eventual return to a system of equal quarterly payments but in the meanwhile the money market must bear the burden of adjustments which arise from the awkward timing of Treasury receipts.

Another aspect of Treasury policy has to do with debt management and with efforts to lengthen the maturity of the debt. The Treasury's announced policy is "to manage this inheritance of debt in such a way as to contribute to neither inflation nor deflation, but to stability." This has

meant pursuing financing policies consistent with Federal Reserve credit policies, which implies lengthening the debt in periods of credit restraint. The first experiment was the 3¼% bond of April, 1953. While it is true, as claimed, that in eight out of 10 major financing operations since the Administration took office, steps have been taken to lengthen the debt, these steps have not produced dramatic results. With one exception, viz., the large refunding of Feb. 15, 1954, these debt "lengthening" operations have merely arrested the continual shortening of the debt that results from the passage of time. The powerful influence of time is not generally appreciated. Although the Treasury has continued to emphasize its intention of lengthening the debt, the last year has seen several postponements of long-term financing. This procrastination may fairly be attributed to the uncertainties of the business outlook and a natural reluctance to compete for the available supply of long-term money.

There never seems to be an appropriate time to fund the debt. Progress in this direction will be very modest. One difficulty lies in the differential between the yields on mortgages and long-term government securities. The tendency of the insurance companies to switch from governments to mortgages makes it difficult to find a market for long bonds. This illustrates the inherent conflict between a policy of easy money and a policy of lengthening the government's debt. On the other hand, in periods of rising business and rising interest rates the differential between mortgages and governments tends to close and the result is to squeeze the supply of mortgage credit with consequent popular dissatisfaction.

Conclusions

What I have said up to this point hardly lends itself to a positive set of conclusions that will solve your money management problems. What you really want to know is what is going to happen to interest rates and all I've done is to show how complex the problem is. For what they may be worth I offer the following conclusions:

(1) The long-run outlook. Although the long-term rate has turned upward in the postwar period, I doubt that this trend will be sustained over a long period of years, as, for example, it was from 1900 to 1920, or that we will return to the relatively high levels prevailing in the 1920's. I expect that as heretofore rates will rise in periods of expanding business but upward pressure on rates will be tempered by the following factors: the increasing mobility of funds; the increasing competition among lenders and among various classes of institutional investors; and the popular bias toward easy money; political and partisan pressures for easy money; and the reliance upon monetary policy as a main instrument of economic stabilization.

(2) Over the next several months interest rates may tend to work slightly higher due to seasonal and other influences. However, unless a sustained business upturn occurs, rates will again ease due to weaker overall demand for credit in relation to the supply of loanable funds.

(3) At the present moment the spread between short-term and long-term rates appears abnormally wide even though the gap has narrowed since mid-year. If the level of rates rises the term differential will become smaller.

(4) Without doubt, short-term rates will continue to fluctuate more than long.

(5) Rate differentials are likely to undergo significant shifts. This is inevitable in a dynamic economy where monetary policy and fiscal policy attempt to play a stabilizing role.

Continued from first page

As We See It

the left—or what could and probably would be interpreted as such—is conspicuous by its absence. The President and his Administration have again and again and again avowed a middle-of-the-road philosophy. We are not certain what this middle-of-the-road adjective means, certainly not when it is applied to complex social and economic problems, but it is obvious that while the Administration has certainly not returned to the paths laid out by the founding fathers, neither has it been led off into the extremes of the New Deal and the Fair Deal.

"Advanced" Thinkers

It is clear, however, that the President has a number of advisers around him who lean much more in the direction of "advanced" thinking and socialistic programs than does the Chief Executive himself. Fears had existed in informed quarters that a sharp or dramatic change in the apparent bent of the voters last week toward the Democratic party would give these advisers a much stronger influence upon the President, and result in something close to a revolution in the nature of the Republican program as developed and proposed by the White House.

There has been no such dramatic sweep in favor of the Democratic party or in favor of the elements in the Republican party which lean in the direction of semi-socialistic programs. Neither do the returns suggest that such determination as was displayed to defy the seekers after largesse or special favors hurt the Administration at the polls. Here and there in districts specially devoted to some doctrinaire position on this or that issue, or directly affected by some decision made in Washington, effects of this sort might possibly be traced—at least by those who wish to find them there. But by and large, the voters displayed a marked indifference to pleas for a round condemnation of the Administration on such grounds as these.

Reports have from time to time of late been seeping out of Washington to the effect that dramatic steps would be taken by the Administration to "make 1955 and 1956 the best in our history." It has appeared that such statements were to be interpreted as meaning that steps such as would have been taken by the New Deal or the Fair Deal were in preparation, and that reliance would be placed upon them to stimulate activity during the next two years or so. Some of these reports have persisted in one degree or another since the returns were in last week. It would, of course, be "normal" for the President and his advisers to make strong efforts to lay a good basis for the campaigning in 1956. Any other course could hardly be expected. Doubtless the majority in Congress will have the same sort of objective before them. But, so far as the Eisenhower Administration is concerned, if the course of action during this period takes on the aspect of a New Dealish effort to lift ourselves up into the stratosphere by our own boot straps, it would certainly have to find support somewhere other than in the election returns of this year.

Expensive Projects

The President with all his effort to get the budget well in hand, has from time to time shown some disposition to undertake projects which in the long run could hardly fail to prove a real burden upon the Federal Government. His broadening of the so-called social security program and the raising of the benefits thereunder is a case in point. His health program (which he says he is planning to try once more to persuade Congress to accept) is not free of this infirmity. He has wanted to put a good deal more public money into housing than is called for under the program he was able to persuade Congress to adopt earlier this year. The President himself has been instrumental in drawing large plans for road building and other public construction for the years immediately ahead.

If the election returns are read with care, he and his advisers will keep all such plans and programs within reasonable limits, or so it seems to us. Of course, there are now in Congress as there were before the elections this year, a number of individuals who would spend and spend (and doubtless hope to elect and elect and elect if not to tax and tax and tax) in part at least for the purpose of keeping the economic pot boiling (perhaps even boiling over). Some of them were on record in this matter when they went before the voters this year. Possibly in some instances a rather strained interpretation of the election results might yield some evidence that voters approved of such procedures, but any such evidence

on a national scale is lost in much that is contradictory and more that is confused and uncertain.

Nor is there good reason to believe that the returns in those districts where Democrats were elected or re-elected suggest that the vast majority of that party are eager to launch this country upon any such extreme campaign as is thus suggested. It must never be forgotten that the Democratic party has its Byrds and its Georges and its Russells as well as its followers of Roosevelt and Truman. It would appear to us that, politically speaking, there is no more in the situation now to drive the politicians in this direction than there was prior to the election. If the politicians concur in this judgment of the situation, the general public has a good deal to be thankful for in this year of our Lord, 1954.

Continued from page 9

Economists Predict Moderate Business Upturn

the current figure which is fluctuating close to 110.

COMMENTS: See "Cost of Living" above.

IV Hourly Wages

The economists were asked to state whether they thought the trend of hourly wages would be up or down in durable, nondurable and building construction industries. The vast majority predicted an upward trend for all three industries, as follows: Durable: up, 132; steady, 13; down, 35; no answer, 6. Nondurable: up, 139; steady, 15; down, 27; no answer, 5. Building: up, 129; steady, 18; down, 36; no answer, 3.

COMMENTS: "Costs will rise due to increased hourly wage rates at a more rapid rate than increases in productivity. Competition in the lines I know about is keen. Nothing in sight to reduce edge. Consequently price trend will not rise." . . . "The changes indicated for average hourly wages and average weekly hours will be very slight and, of course, will tend to balance out in average weekly earnings." . . . "A continued inching up of wage rates is likely to sustain finished goods prices despite severely competitive conditions in many industries." . . . "Increase largely hidden."

V

Weekly Hours

Again the respondents were asked to indicate expected trends in durable, nondurable and building construction industries. Here, however, the forecast showed no such pronounced upward trend. The forecasts for hours in the durable and nondurable industries were nearly equally divided between up and down, while a large majority expected hours in building to drop. The results were as follows: Durable: up, 84; steady, 21; down, 76; no answer, 5. Nondurable: up, 81; steady, 26; down, 73; no answer, 6. Building: up, 49; steady, 36; down, 91; no answer, 10.

COMMENTS: "I expect drive for shorter work-week at same (40 hours) pay to intensify in second half of 1955. No significant change pending decision on above." . . . "35-hour week will be discussed." . . . "Very little increase in overtime in 1955. Trend will be 'up' but not a big 'up.'"

VI

Industrial Production

The economists on the panel in general predict a steady rise in the Federal Reserve Board's seasonally adjusted index of industrial production. During recent months the index has remained steady at about 124. The median expectation of the economists is for an index of 127.1 at the end of this year, 129.7 in the middle

of 1955, and 130.9 at the end of 1955. This would be an increase of a little more than 5% over the current rate. There was a high degree of unanimity as to the direction the index would take; 87% of the economists felt that the trend would be upward.

COMMENTS: "Defense production would seem to be with us for the long pull at levels as high or higher than today." . . . "Activity will continue to be sustained by government spending." . . . "The automobile industry is not likely to have a better year in 1955 than in 1954." . . . (After citing several favorable factors.) "Such a pattern of developments might not, however, result in attainment during this period of the earlier peak level of industrial production since outlays for services are assumed to rise substantially from mid-1953 to the end of 1955. Manpower and industrial resources would be ample in this pattern."

VII

Plant and Equipment Expenditures

The economists in the survey took a moderately pessimistic view of the prospects for new plant and equipment expenditures. Such outlays totalled \$28.4 billion last year and are currently estimated at \$26.7 billion for 1954. The median expectation of the economists for next year is \$26.0 billion, a drop of somewhat less than 3% below this year. Exactly three-fourths of the panel predicted a drop below the 1954 level, and a substantial number of these (70) forecast outlays of \$25 billion or less next year.

COMMENTS: "Plant and equipment expenditures may be down about 10%." . . . "Business will not pick up this fall because of the rate of investment in plant and equipment will not be maintained during the last two quarters of this year. Furthermore, expectations for investment in plant and equipment in 1955 will prove disappointing." . . . "Industrial construction and equipment purchases may decline slightly from present high levels." . . . "I am somewhat disturbed, however, about the outlook for investment in new plant and equipment for 1955. There appears to be a falling off at the moment in inquiries looking to such borrowing for the first half of next year."

VIII

New Construction

The survey called for estimates of monthly outlays for new construction as measured by the U. S. Departments of Commerce and Labor. The economists in the panel were fairly well agreed on relative stability in construction outlays, with 137 forecasting a rate at the end of 1955 within 7% above or below the \$3.0 bil-

Continued from page 15

Trust Services and The American Economy

multiply in achievement has been the response of our people to the freedom and opportunities given them.

We have merely sketched a few of the mileposts of America's remarkable industrial development. Some one has estimated that if we were willing to accept the standard of living of 1870, most of us could probably achieve it today with a five-hour week. What sober-minded person looking back over history would have volunteered to plan such an incredible program of progress? What a vast and inspiring interplay of economic forces has steadily and surely, and often phenomenally, charted the economic progress of the nation! The millions in America have been helped to a security and a richness of life not approached by any people, in any land, in any age.

Growth of Trust Companies

In the early days of the nation's history, the trust business was small and was combined with insurance and the granting of annuities. Between 1820 and 1840, we had the origin of trust company service. The trusts accepted were apparently not actually trusts but were more like time deposits. The beneficiary did not receive income from that fund but from his share of the income of all the funds of the company.

Of the trust companies chartered to do business between 1820 and 1840, only three survived under any name, and not one today under its charter name. It was almost 1900 before trust company services began to achieve real stature and prestige. It took time for a new nation without capital gradually to save and build its productive capacity so it could produce \$350-billion annually in goods and services. It took time to build a banking system from three banks to 15,000 banks with deposits of \$200-billion. It took time to build a nation from 3,900,000 inhabitants engaged largely in agriculture to a nation of 162-million persons with the greatest industrial plant in the world with over 60-million workers. It took time to build a nation with 90-million owners of life insurance, 12-million persons covered by pension plans, 53-million with savings accounts, 8 1/2-million owners of shares in private and public corporations, and with approximately 90% of all families now having some form of savings or investment. But it was accomplished, and it has created wealth and property so vast in size that trust services are imperative if the economy is to function efficiently and if men are to plan intelligently for their futures and provide for their families.

A thoughtful and objective analysis of the economic growth of the country clearly indicates that we are only at the beginning of the important role which trust services are to take in the future. There are no authentic statistics revealing the assets which are now under your management and direction. Estimates have been made that personal trust department assets in 1912 totaled \$3-billion; in 1933, \$25-billion; in 1949, \$50-billion; and in 1953, \$75-billion. The number of personal trust accounts in national banks

position of the consumer, coupled with his good income outlook, and population growth, should just about take up this slack. Personal consumption expenditures should go ahead — with non-durable goods faring better than durables.

increased from approximately 94,000 in 1932 to over 184,000 in 1952.

Other estimates indicate that in 1949, trust department assets included approximately 6% of all government bonds outstanding, almost 10% of the foreign and domestic corporate bonds outstanding, and over 15% of all domestic stock outstanding. Those who are familiar with trust department operation would probably agree that at least some of these figures are an understatement. Moreover, the figures do not include many other types of property whose administration you supervise and the responsibility for which is great.

A review of the growth of trust services should include the rapid development of pension and profit-sharing trusts. Prior to World War II, there were approximately 1,500 pension plans in the United States covering about 700,000 workers. Today, it is estimated that there are over 20,000 plans covering some 12-million employees. Pension fund assets have increased during this period from \$750-million to over \$17-billion. The annual inflow of new money is estimated to exceed \$2-billion.

Among the responsibilities you assume in handling these funds is the obligation wisely to conserve the savings of millions of American workers through sound investment policies and to reduce the ultimate cost of the funds as much as possible consistent with safety.

The Possible Growth of Pension Trusts

The possible growth of pension trusts in the years ahead is illustrated by recently projected estimates for 1960. The total estimated working force in the United States for 1960 is 68 1/2-million persons, with pension coverage for 22-million workers — nearly twice the number covered today.

The management and supervision of the vast properties and funds of which you are the stewards place upon you social and economic responsibilities of unusual magnitude. In addition, you are the financial intermediaries for millions of savers and for those who use the funds. You determine the industrial and business channels into which a large volume of investment funds flows. By strict and wise investment decisions, you make it imperative for businesses to operate efficiently before they can expect you to direct funds into their enterprises. That is a constructive discipline in an economy.

Over and above these functions in a free society where men may acquire, manage and dispose of property, you perform a still higher service. By discharging intelligently your great responsibilities, you play a vital role in helping an economy of free enterprise and private property to exist and to function effectively.

In a world where men and nations are being compelled relentlessly to choose between freedom of enterprise and government control, between the rights of individual men and the encroaching powers of the state, and between private property and state ownership, the competency with which you meet your responsibilities may have far reaching and decisive results.

Laird, Bissell Adds

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—Martin J. DeGennaro has become connected with Laird, Bissell & Meeds, 44 Whitney Avenue.

Continued from page 3

Export-Import Bank Portfolio Sales to Investors Urged; Export Credit Guarantees Ready

collateral for the private issuance and sale of directly participating obligations. The "Advisory Committee" document stated that the latter procedure "has many advantages of economy over the practice of selling individual loans at a wide adverse differential over going Treasury rates."

To implement this scheme a non-profit management corporation would be established—either by private investors or by the Bank itself—and the new corporation in turn would establish a collateral trust or trusts. In these trusts there would be deposited with "Eximbank's" guaranty foreign and domestic obligations now held in the "Eximbank's" loan portfolio. The next step would be to borrow from the investing public and to return the funds so borrowed to the U. S. Treasury. As the management corporation receives securities from the "Eximbank's" loan portfolio, the corporation, under this plan, would simultaneously do the following six things:

(a) Subject to the receipt of the proceeds from the sale of its own obligations, purchase obligations due to and guaranteed by the Bank at par plus accrued interest, in successive principal amounts aggregating ultimately the Bank's entire portfolio (now \$2,750,000,000) plus such additional portfolio items as may later become available through its future lending operations.

(b) Deposit such portfolio items in the collateral trust.

(c) Issue its own collateral trust obligations at maturities approximating those of the obligations purchased from "Eximbank" and most economically marketable in the light of interest rates, maturities and Treasury policies.

(d) In full conformance to SEC standards, even though SEC registration should not be required, publicly offer its own obligations at prices reflecting the lowest possible yields.

(e) Sell its obligations, through a large group of investment banking firms acting as selling agents, to insurance companies, banks, trusts and other private investors.

(f) Require the trustee to pay to the "Eximbank" the difference between the income received on the obligations purchased from the "Eximbank" and the interest paid on the collateral trust obligations sold to the public, minus predetermined expenses.

The timing of sales of the Export-Import Bank portfolio securities to the new corporation and the corresponding public offering of the collateral trust obligations would be determined by the "Eximbank" after consultation with the Treasury, with due regard to the effect on the market for Treasury obligations.

The merits of the plan, according to the explanatory document, would be the return to the Treasury of the money represented by the Bank's loans presently outstanding, relieving the Treasury of future drains on account of "Eximbank" lending and the tapping of private investment resources for such purposes. The "explanation" in the document pointed out that, although the "Eximbank" has had the guaranty power all along, it has used it but seldom and then only in connection with individual loan placement which—the Committee added—has been "awkward, wasteful and unnecessary," whereas the U. S. Treasury has already established a more economical and efficient pro-

cedure, as is evidenced by the FHA finance methods. The latter avoid a cash drain on the Treasury as well as encroachment on the public debt limit.

As an instance of "awkward, wasteful and unnecessary" use of the Export-Import Bank's guaranty power in the past the Advisory Committee cited as a "typical instance" the \$50,000,000 15-month 3½% cotton credit to Japan last year.² This loan the "Eximbank" privately placed with a group of 14 commercial banks with its guaranty, on a basis yielding the commercial banks 3%. At the time of the placement the going rate for U. S. Treasury obligations for the same maturity was 2%. "Thus," the Advisory Committee explains, "clearly, the banks then possessed the guaranty the equivalent of a U. S. Treasury obligation, receiving a return 50% in excess of the return obtainable by buying a direct U. S. Treasury obligation."

The 50% differential in interest return is explained by the fact that the guaranteed obligation, while negotiable, was not readily marketable; but this meant an extra burden on U. S. taxpayers in financing "Eximbank's" operations. At the same time the commercial banks involved in the transaction privately negotiated with the "Eximbank" were in a favored position as compared with others in the investment community. If the plan is adopted, its sponsors claim, it will be the "first penetration, however indirect," of private capital markets here by foreign borrowers "exclusively through American institutions as contrasted with the International Bank."

One hears that the plan—initially, at least—appealed not only to Secretary of the Treasury Humphrey, but also to Milton Eisenhower—who last year surveyed Latin America for his brother—and to the President himself, who has more than once been called upon to make a decision with reference to "Eximbank" loans. If the plan is put into effect a \$300,000,000 tranche of "Eximbank" loan items may comprise the initial step. This, it happens, is just the original amount of the 1953 "Eximbank" loan to Brazil. The First Boston Corporation is reported by one of the plan's backers to be actively studying the formation of a nation-wide syndicate and will be ready to go into gear if and when the light turns green. That investment corporation has a large interest in the bonds of the International Bank for Reconstruction and Development and the public offering thereof.

But, before the light can turn green, objections from within the Treasury and the Export-Import Bank will have to be overcome. These hinge mainly on the higher interest rate needed to finance the costs of public marketing, coupled with the fact that such public offerings would tend to compete with Treasury offerings. Uncle Sam must be chary about giving the investment syndicate anything that might be called "too good a deal," but without an adequate deal from the investment bankers' standpoint nothing will happen.

Boiled down, the question is: "What price Government guaranty?"

The plan discussed above is one of several moves which either have already been made or are still under study, designed to restore

²EIB reports this as a \$60,000,000 credit.

to the Export-Import Bank the independent and effective position which it held prior to the advent of the Eisenhower Administration. Partly, the matter originates with pressure from American export interests and their banks desiring to increase this country's sales abroad with the "Eximbank's" help. And partly, it is another evidence of the friction between partisans of "Eximbank" and the International Bank for Reconstruction and Development. Rivalry between the two institutions, jealousy and working at cross-purposes are repeatedly evidenced to close observers.

The National Advisory Council on International Monetary and Financial Problems—created in Bretton Woods Agreements Act of 1945 on the recommendation of the American Bankers Association precisely to minimize such rivalry—predicted by banker witnesses, in January of this year formulated a heretofore-unpublished statement of the principles which the United States Government should follow with reference to Export-Import Bank and World Bank lending and related activities. Bearing the number 83, that policy statement of the National Advisory Council is here made public textually for the first time. Although put down in black and white only in January, 1954, the policies contained in the statement had been in effect since the beginning of the Eisenhower Administration. The statement's chief authorship is attributed to the Under Secretary of the Treasury for Monetary Affairs, Mr. W. Randolph Burgess, who, as it happened, was the American Bankers Association's principal spokesman on Capitol Hill during the Bretton Woods hearings in 1945.

Text of National Advisory Council Policy Statement No. 83

Statement of Principles Governing the United States position in respect to Loans by the Export-Import Bank of Washington and The International Bank for Reconstruction and Development:

(1) The International Bank should be the normal source of loans for development projects involving direct financial obligations of a member government or governmental agency or its guarantee of the obligations of other borrowers.

(2) The Export-Import Bank should not make loans within the purview of the International Bank, except in special cases, such as those in which important interests of the United States warrant departure from the general principle, or an additional credit is required to continue the project initially financed by the Export-Import Bank, or a loan is for the development of strategic material for importation into the United States.

(3) Loans to private United States businesses or their affiliates, without governmental guarantee, may be considered by the Export-Import Bank on their merits.

(4) United States exporter credits in member countries, at the instance of United States suppliers, involving orders for purchase of United States equipment, may be considered by the Export-Import Bank on their merits if they are for such transactions as would not fit into the normal pattern of International Bank project lending. In view of the revolving nature of Export-Import Bank funds, these credits normally should be of short-to-medium-term.

(5) Commodity loans to finance the export of United States commodities, short-term in nature, may be considered by the Export-Import Bank on their merits.

(6) Loans by the Export-Import Bank in countries which are members of the International Bank should be coordinated with the International Bank's lending

Capehart Comments on Proposals

WASHINGTON, D. C., Nov. 9.—Chairman Homer E. Capehart of the Senate Banking and Currency Committee, interviewed by the "CHRONICLE" concerning developments affecting the Export-Import Bank and World Bank, commented:

"I expect the report of the Citizens Advisory Committee under Senate Resolution 25 will be submitted to me as the Chairman of the Banking and Currency Committee later this week and I plan to make the report public promptly.

"I am in favor of encouraging American exports and I believe that all exporters of capital goods should sell on long-term credit. We need some accelerated system of export credits, preferably credits extended by private interests, or a combination of private and Government credits. If such credits are not available, then we'll need Government credit.

"As to the draft plan for private capital to take over substantial parts of the portfolio of the Export-Import Bank, I think the plan ought to be studied very carefully and that possibly it has very great merit.

"I expect there will be no further hearings on the Export-Import Bank or the World Bank under Senate Resolution 25 this calendar year. For one thing, I am planning to go to Rio de Janeiro shortly to attend the Inter-American Economic Conference there, starting Nov. 22.

"The Senate Banking and Currency Committee has voted to confirm the four appointees to the new board of the Export-Import Bank and this step will, I have no doubt, obtain the approval of the Senate this week. Nomination of a fifth member of the Export-Import Bank board has still to come from the White House."



Homer E. Capehart

program by consultation between the two Banks, and due weight should be given to whether such loans may endanger the repayment of loans made by the International Bank, unduly limit its future lending in the member country, or run counter to governmental programs or priorities on which that Bank is planning its lending activities.

(7) Loans in countries not members of the International Bank, whether governmental or private, may be considered by the Export-Import Bank on their merits.

World Bank Warns Against Credit Race

The foregoing NAC policies, it is held in some very influential Senate and business circles, have subordinated the "Eximbank" to the World Bank and prevented the former from making further development loans so popular today in many quarters here and abroad. On the other hand, NAC policy statement No. 83 is understandably popular at the World Bank. The latter institution frowns not only upon large "Eximbank" development loans to World Bank members, on the grounds that such lending dilutes the credit-repaying capacity of unaffluent borrowers, but upon the unwise expansion of "exporter credits."

During the recent World Bank board of governors meeting in Washington, in the course of his address of Sept. 25, that Bank's President, Mr. Eugene Black, made some extremely pointed remarks on the subject of exporter credits, obviously with "Eximbank's" present plans in mind. While Mr. Black's comments seem not calculated to lessen the friction between the World Bank and the Export-Import Bank and their respective friends in the Congress and about the country, they will sound like sense to some disinterested observers. Since they are sure to be referred to in time to come, Mr. Black's remarks on this subject are here repeated:

"We must, at this stage of the world's recovery, I think, remember the consequence of what happened in the 1920s and, bearing that example in mind, we must realize that the growth of credit brings its own problems. As the availability of capital and capital equipment has risen, we have passed from a seller's to a buyer's market and a competitive race is developing among suppliers.

This takes the form not only of competition in terms of price quality and delivery date but also

competition in the offer of medium-term suppliers' credit. The Bank does not know—nor, I think, does anyone know—the exact volume of credits of this kind now outstanding. But, as one positive measure toward meeting the situation, I plan to explore the possibility of establishing an information service which would centralize all available data on the total volume of suppliers' credits outstanding.³

"Suppliers' credits, I need hardly say, are an appropriate type of international financing when applied to the proper transactions. But they can be misused and over-used and there is some disturbing evidence that this is happening—too much credit given, under the pressure of competition, sometimes on inappropriate terms and for the wrong purposes.

"The situation, in my view, is becoming serious. The danger is that bad credit will drive out good, and tend to bring international investment back into disrepute—this at a time when the world is still negotiating adjustments of debts incurred during that earlier period of excessive borrowing, over-eager lending and mis-investment to which I referred just now.

"Suppliers' credits can serve a useful purpose in financing the normal, short-term flow of imports or in financing investment projects which can pay their way within the term for which the credit is given. But, although the availability of these credits may seem to present an opportunity to speed the rate of development, there is a risk that the use of short-term finance may be pressed beyond these limits. When this happens the result is likely to be unfortunate.

"Nor can the balance of payments aspects of these transactions be overlooked. Experience teaches us that it is imprudent to count on a steady flow of capital year after year. Reliance on suppliers' credits, indeed, in general means reliance on something, particularly volatile. The importing country may run into payments difficulties that check further investment from outside. The exporting countries themselves may experience payments difficulties that force them to insist on cash payment. Or a boom in the world or home mar-

³The I B R D has commenced a world wide survey among public and private credit agencies to determine the outstanding amount of such 1 to 5-year credit.—H. M. B.

ket may make it possible to sell for cash and reduce the need to extend credit. There is the risk, in other words, that the borrower may have raised his rate of investment only to find that he must later make, perhaps, a drastic cutback and that what was looked forward to as a period of sustained economic advance may end as a period of stagnation or, even, of retrogression.

"The manner in which suppliers' credits are offered, moreover, sometimes results in projects being undertaken which are far from the highest priority in developmental needs. The exporting country wishes to boost its exports and therefore offers credits for financing a project using its equipment. The manufacturing supplier of equipment naturally welcomes any opportunity to increase his sales and he can certainly not be blamed if he takes advantage of whatever credit facilities may be made available. And the importing country may feel that the credit, being available, should be accepted even if not for the most useful of purposes nor on the best of terms and even if, as often happens, under these arrangements a higher price for the goods must be paid. This is contrary to the interests of the importing country and may result in slower rather than faster development.

"Long-term capital funds represent, in general, the most appropriate method of financing development projects requiring heavy capital equipment, from the point of view both of the nature of the projects themselves and of the impact on the borrowing country's balance of payments. But any potential long-term investor—and not only the International Bank—must take into account the total external debt burden of the borrowing country. So an excessive use of short- or medium-term credit must diminish a country's access to long-term capital funds. In short, the indiscriminate use of credit of this kind may increase the costs of development, may interrupt the continuity of effort, may upset the balance of investment, and may make the goals of investment harder, and not easier, to reach.

"The increase in competition in suppliers' credits also has its dangers for the exporting countries. Suppliers' credits are usually financed only in minor part by the suppliers themselves. Most of the industrial nations—and I include not only European countries but the United States, Canada and Japan—now have one or both types of official institutions to give financial aid to exports. One type finances the export of capital goods; the other, without supplying capital, underwrites the risk. Thus suppliers' credits are usually made largely at the ultimate risk of the government of the exporting country.

"I would like to make clear, of course, that I am not talking primarily about the flow of private investment capital. If the supplier were venturing more of his own capital, he would necessarily have to be more concerned with the financial soundness of the investment and with the creditworthiness of the country. But the result of the supplier's relative freedom from risk is that he is constantly entreating his own government to grant more liberal credit facilities. In each of the exporting countries governments hear the complaint that other governments are more liberal. So a race is developing, a race in which none of the competitors can win

4 A good example of the fire being applied to Export-Import Bank's feet is the very elaborate book, *A Record of Support for the Export-Import Bank*, circulated in Capitol Hill and elsewhere last summer by the Westinghouse Electric International Co.—H. M. B.

because the faster each goes, the faster all the others go.

"Indeed, we are approaching a situation about which a warning was sounded 10 years ago at Bretton Woods. The spokesman of one of the delegations there pointed to the danger, saying that, in a time of pressure for exports, 'countries would embark on bilateral credit arrangements no doubt linked with deals relating to the purchase and sale of goods; and as soon as certain countries began to adopt this course others would find that they had to follow suit to protect their trade interests. It is difficult,' the spokesman went on, 'to imagine a more fruitful source of international dissension than a competitive trade and credit expansion program of this character.'

Export Credit Guaranty Plan

By the middle of November, the Export-Import Bank plans to announce details of a new plan for assisting established American export firms to hold their share of the friendly world's market for capital goods. On Capitol Hill the imminent announcement is described as one of the fruits of the work of the Senate Banking and Currency Committee under Senate Resolution 25. The Export-Import Bank appears to be aware of the dangers pointed out by Mr. Black in the above-quoted speech; yet at the same time it shows signs of the pressures exerted on it from—or one might better say, via—the Senate. Although it will be announced this month, the exporter credits plan may be refined later on.

Space limitations permit describing only the highlights of the imminent announcement. Exporters who have been in business for some years will be entitled to apply for a line of credit, called by the Export-Import Bank "an exporter credit line." The credit line will cover a given period, such as a year. No firm may get a line in excess of \$10,000,000. Within the firm's fixed ceiling "Eximbank" will be ready to participate, subject to the conditions mentioned below. Where circumstances merit, moreover, a firm's exports to a particular customer eligible for handling under the plan may be restricted. In a few cases whole foreign countries, even though politically friendly countries, may be excluded from the operations of the plan.

In its financial aspects the plan requires that the foreign importer pay at least 20% in cash at the outset; and that the exporter—with or without the help of his commercial bank—finance at least another fifth. As to the remaining 60% or less, if financed by a commercial bank, "Eximbank" will insure such amount for about a 2% fee against normal credit risks as well as such unusual hazards as cancellation of import permit, currency inconvertibility, war, civil disturbance and the like; or if no financing is available from private sources, the Bank will stand ready to advance as much as 60% of the invoice, itself taking all the risks without recourse on the exporter.

Any notes of foreign importers bought by Export-Import Bank under this plan must bear at least 5% interest. On "Eximbank's" share of the transaction that interest will accrue to the Bank, which in addition will charge a commission of, say, 1½%. The Bank's expectation, however, is that it will be called upon for only the guaranty services mentioned above, while the money to finance the trade will be supplied by commercial banks. The 2% guaranty fee mentioned above would be slightly greater where the interest rate is above 5%. Similarly, the 1½% commission mentioned above envisages credits of not over three years; but where the term of the credit runs longer, as it often does for capital

goods, the commission will be larger by ¼% for each additional year.

Within a company's export-credit-line ceiling "Eximbank's" participation as lender or simply as guarantor would be automatic, subject to limitation according to the credit standing of the foreign importer and a country ceiling for each export firm participating in the plan. Apart from these two features—the line of credit and the automaticity for permitted destinations—the plan is not very different from "Eximbank's" past treatment of exporter credits. It will offer quicker action for the exporter and less running to Washington.

Exporters who need no "Eximbank" dollars but want credit insurance against risks mentioned above will be able to buy it from the Bank for a commission of 1¼% or more, plus a 2% guaranty fee. Those who don't want even that, but just insurance against "political" risks, may get it on as much as 85% of the invoice value of the financed part of their shipments—following a waiting period of say half a year—for about half the above-mentioned 1½% commission plus a guaranty fee of about 1¼%.

There has been a great deal of apparently exaggerated talk as to credit guaranties being offered exporters by other industrial countries (Canada, Europe, etc.). While some countries have been selling capital goods in competition with U. S. manufacturers on easy terms, the main reason for the American exporters' clamor for government aid is that the seller's market has given way to a buyer's market. Whereas formerly there was a virtually limitless demand for American capital goods, latterly other countries, the beneficiaries of our reconstruction loans, Marshall Plan aid, productivity teams and the like, have been giving American firms a run for their money. In an era when every segment of the nation looks to Washington for special support it is not surprising that even ardent advocates of free enterprise in the business world look longingly at Uncle Sam for support. It will be the task of the Export-Import Bank to tread a careful line between what is wise and what is unwise.

Louisville Bond Club's First Officers Honored

LOUISVILLE, Ky.—Charles C. King of the Bankers Bond Co., Inc., was host at a luncheon honoring the first officers of the Bond Club of Louisville, which is celebrating its 20th anniversary.

Chicago Analysts to Hear

CHICAGO, Ill.—At their luncheon meeting on Nov. 18 the Investment Analysts Society of Chicago will hear Edgar H. Dixon, President of the Middle South Utilities, Inc., who will speak on the Dixon-Yates Proposal. The luncheon will be held as usual in the Georgian Room at Carson Pirie Scott & Co. at 12:15 p.m.

Samuel Franklin Adds

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, Calif.—Sherman Smith has joined the staff of Samuel B. Franklin & Co., 215 West Seventh Street. Mr. Smith was previously with California Investors and Morgan & Co.

Rejoins Reinholdt Gardner

(Special to THE FINANCIAL CHRONICLE)
ST. LOUIS, Mo.—James W. Riordan has rejoined the staff of Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges. He has recently been with Albert Theis & Sons, Inc.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

The fire and casualty insurance companies will be one of the main beneficiaries from the rise in stock values which has occurred this year.

As a group the major fire and casualty companies are one of the largest holders of equities in the country. The rapid growth of investment trusts in recent years, particularly the mutual fund type, has made the stock holdings of this type of institution possibly larger than those of the insurance group. Nevertheless, insurance holdings still constitute one of the largest concentrations of common equities in the country.

For this reason the rise in the stock market over the past year should add substantial amounts to surplus for those companies that hold stocks. Of course, because of differences in investment policies all companies do not have a comparable position in equities. In fact, many institutions either because of insurance reasons or by preference have invested available funds wholly in bonds. However, most of the major companies have over a period of years accumulated a sizable holding of stocks on which they have sizable book profits.

In this connection it is interesting to review a recent report of Hemphill, Noyes & Co., 15 Broad Street, New York City. That firm has made a tabulation of the 100 largest "Big Board" stock-holdings of four types of institutions. The first group is composed of 46 large colleges. The second group is made up of the Rockefeller Foundation and Carnegie Foundation. The third group consists of 1,023 insurance companies, the figures for which were compiled by Hemphill, Noyes from United Statistical Associates, Inc. book on "Corporate Holdings of Insurance Companies." The fourth and final group is made up of over 200 investment trusts taken from Vickers Bros. "Guide to Investment Trust Portfolios."

In the tabulation below we have taken from the Hemphill, Noyes list the 21 stocks that have constituted the largest holdings of the four types of institutional investors. In addition to the number of shares held, the market values of the total as of Sept. 30, 1954 are shown.

In addition, we have tabulated the share holdings of the insurance companies and show their total value as of the same date:

Rank	Four Types of Institution		Insurance Companies	
	Number Shares Held (Thousands)	Value 9-30-54 (Millions)	Number Shares Held (Thousands)	Value 9-30-54 (Millions)
1	3,537	353.7	420	42.0
2	4,781*	210.4	2,419	106.4
3	1,311	190.2	618	89.6
4	1,691	153.9	701	63.5
5	1,890	149.3	970	76.6
6	2,168	134.4	1,202	73.9
7	1,582	132.8	890	74.4
8	1,737	132.0	788	59.7
9	719	130.9	200	36.4
10	1,347	125.3	381	35.3
11	1,682	122.8	829	60.5
12	707	121.5	498	85.6
13	1,441	112.4	409	31.9
14	1,526	108.3	489	34.7
15	2,121	101.8	987	47.6
16	347*	101.5	202	59.3
17	842	86.8	208	21.4
18	920	79.1	356	30.6
19	1,367*	76.5	597	33.4
20	1,361	74.9	613	33.5
21	1,006	74.4	497	36.8

*Adjusted for stock split.

As can be seen in the above figures, holdings of insurance companies, which for the most part means fire and casualty institutions, amounts in most cases to around 40-50% of the total held by the four groups. Thus, the insurance group frequently represents the largest concentration of these equities.

Another interesting point in the above tabulation is that the relative size of holding for the total and for the insurance group is different. In other words, Standard Oil of New Jersey represents the largest holding of the four institutional groups, in part because of holdings of the Rockefeller Foundation. For the insurance companies, however, the holdings in Standard of Jersey were considerably smaller than many other stocks. Actually, General Electric constituted the largest holding with duPont, American Telephone & Telegraph, Union Carbide and Texas Company close behind.

Changes in market values since the end of September have undoubtedly altered the relative positions of the different stocks. The main point however, still prevails, that fire and casualty companies because of the size of their holdings should benefit substantially from the increase in market values so far this year.

Clem't Evans Adds to Staff

(Special to THE FINANCIAL CHRONICLE)
ATLANTA, Ga.—Henry C. Shockley is with Clement A. Evans & Company, Inc., First National Bank Building, members of the Midwest Stock Exchange.

With Investors Planning

(Special to THE FINANCIAL CHRONICLE)
BOSTON, Mass.—Donald F. Flanagan and Richard L. Hanford are with Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Chemical Corn Exchange

Bank of New York

Bulletin on Request

Laird, Bissell & Meeds

Members New York Stock Exchange
Members American Stock Exchange
120 BROADWAY, NEW YORK 5, N. Y.
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Bell Teletype—NY 1-1248-49
(L. A. Gibbs, Manager Trading Dept.)
Specialists in Bank Stocks

Continued from first page

Savings Banks' Dividend Policy

of rate through regulation with a sort of permanent informal control through leaving the 30-day notice outstanding indefinitely. . . . The request for 30-day notice will remain outstanding only so long as it takes savings banks to show that when it comes to dividend rates they are ready to stand on their own feet."

That is my theme. In developing it, I have passed up the chance to review in detail the record you have made in the last year in attracting deposits and in mortgage lending, to talk over a few matters of investment interest and to take a good long look at trends in mortgage terms. I shan't develop any legislative program, though it must be increasingly clear to all that the members of the Legislature are less and less impressed with the opposition to the branch bill and that the measure will pass because it should pass. The Assembly gave its approval this year, and the unusual circumstance which kept the Senate from having a chance to vote on it may be nonrecurring. My plan is to talk with you about one or another aspect of dividend policy and then to return to my theme, the 30-day notice period.

A great deal of good hard work has been done on earning power in the last couple of years. First the raising and then the removal of the dividend ceiling have done more to release the forces of enterprise in savings banking than anything else in years. The ceiling was lifted from 2% to 2½% on Feb. 6, 1952, you will recall, and it was stripped away on Oct. 7, 1953. So long as you have a dividend ceiling at, say, 2%, the temptation is strong and often irresistible to relax a bit when earnings have been built up to support such a rate.

Many a bank bestirred itself after the Banking Board jacked up the rate ceiling two and a half years ago. As the strenuous search for mortgages got under way the supply of mortgage money was increased. Lower yielding governments were passed on to other hands and higher yielding mortgages were acquired from far and near, most of them FHA's and VA's. In the nearly three years since the ceiling was raised the system has cut down on its governments by over \$700 million and enlarged its mortgage portfolio by no less than \$2.9 billion. The ratio of mortgage holdings to total assets has increased from 47% to 54%.

Improvement in Banks' Earning Power

These shifts in asset concentration have made for a substantial improvement in earning power. Both operating income and net operating income on average assets are better off by ½ of 1% now than at the start of this three-year period. And the full benefits of the lending activities have not yet been realized. Mortgage loan commitments outstanding on Sept. 30 amounted to \$1.4 billion, compared with \$828 million a year before.

It is fair to say that the greater dividend freedom which the Banking Board has given you has resulted in savings banking in our State becoming a more dynamic, a more productive influence in our economy. This fact is reflected in your holdings of governments. A certain quantity of government securities has become a necessity for banking in our times, since they are our main reliance for liquidity. Beyond that point we may well ask whether a further accumulation of governments, besides being only a middling fair assistance to earnings, is not a kind of passing the buck to others for finding

were paying. Those fears have not been borne out.

The chief effect of the varying rates would seem to be on new accounts and new money. Older accounts, especially moderate-sized, true savings accounts, are very rarely dislodged by extra dividends. In a limited way some of the large accounts can be jolted loose if they are roused up by aggressive and long-continued soliciting. The big accounts, be it noted, increase the need for liquidity, and that means, if the bank is prudent enough to respect the need, that earnings suffer a bit. Any bank which does not make allowance for the volatility of these big accounts will soon enough have cause to regret it.

The few transfers of true savings accounts that take place can be handled comfortably with the new money that flows in pretty steadily. The big accounts, however, are not as likely to balance off by a simultaneous two-way flow. It may be said about the big accounts that any bank which goes after them steadily and in earnest, playing up a rate advantage, will soon be deluged. A small, brief success in attracting them is all any bank can afford. No bank in the State has surplus enough to margin all big accounts that could be torn loose by strenuous solicitation.

"Disguised Time Deposits"

The existence of so many of these large accounts reflects the fact that commercial banks cannot pay interest on demand deposits and are not keen about paying liberal rates on domestic time deposits. Some of these big accounts are refugees from the commercial banking system. They cannot begin to qualify as true savings. They are disguised time deposits, without the withdrawal limitations that ordinarily apply. Savings banks ought to realize that these accounts are far from being unconditional blessings.

The minority of banks that has ventured into dividend territory above the 2½% level has gained deposits and accounts faster than the other banks; but the difference has not been as great as you might think. Look at the figures. Twenty banks that paid an extra above 2½% in one or more quarters in the nine months ended last June had an average gain in deposits of 8.1% and in accounts of 1.1%. Ninety-seven banks that made no change in their rates had gains of 6.9% in deposits and 1.1% in accounts.

Taken in bulk, they are not big differences. Those percentages, however, tell only part of the story. The banks paying extras distributed anywhere from about 75% to more than 90% of their earnings. The combination of slightly greater deposit growth and a lower percentage of earnings retained resulted in a drop in the 20 banks' ratio of surplus and valuation reserves from 14.1% to 12.7%. On the other hand, the banks which left their dividend rates alone maintained their surplus ratios on the average. A number of banks in this latter group were able, because of good earning power, to better their surplus rates appreciably.

Advantage of Surplus

The banks that followed conservative dividend policies can look on these results as providing some reward for their patience and forbearance. For it must be clear that if the higher rate banks continue much longer to gain at the rate of the last year they will lose the advantage in surplus which help to put them in a position to move out a little ahead of the dividend parade. By that time the banks that have placed more emphasis on building up earnings and surplus will be ready to reap the benefits of their restraint. The rates varying from bank to bank will permit the most desirable and effective use of the

surplus accumulated by the system. The banks best situated as to surplus at any time should by all tests be the ones best suited to protect and handle the greater share of deposits attracted by the system. It is essential in applying this principle of the largest gains for the largest surpluses that a bank which has used up its advantage should be prepared to pause while it builds up anew an unused reserve of surplus strength.

Strength is a word whose short expression is capital funds or surplus, call the figure what you will. I mention it here because of the growing signs of a concerted effort to find the combination of words to rationalize a lack of it. You hear it argued that because deposits are guaranteed and a large percentage of assets is guaranteed or insured, capital or surplus is largely a superfluity. Some savings bankers who want to get in on the rate increases or to continue them talk in this fashion. I dissent.

Nearly 20 years ago a friend and I spent a memorable afternoon on a train riding to a bankers' convention way out West talking with one of the wisest bankers with a sideline in economics that the industry ever had. We talked a long while about this and that and seemed to wind up the discussion of each subject with a judgment whether it was good economics or bad economics. Finally, we said to him that one hears a good deal about economic truths, the truths that had been established by inquiry and experience and were no longer subject to debate. We asked him what the established truths were. He took a long time to answer, for nobody realized better how impressive the proper dramatic pause could be. "I know one such truth," he finally said. "There is no free lunch." Since that time I have heard others use the same expression, but when he spoke it it sounded like an original.

If anyone should ask me if there was one truth that stood out for me in the years that I have been concerned with supervisory affairs, I would not need to think twice about what my answer would be. I'd say, there is no substitute for capital. Good management is greatly to be desired. High quality assets, even a dash of guaranteed and insured assets, help the banker to sleep nights. Good internal control of operations is a reliable indicator of good housekeeping in a bank, and is greatly to be prized. Good locations in growing communities are splendid for morale. For a strong capital position is all these things translated into solid, realized form; it is the tangible manifestation and result of all these causes. To bankers it is really money in the bank. It is treasure for which there are no counterfeits, no equivalents, nothing just as good.

Surplus or Earning Power

The Department is sometimes asked whether it places a higher value on surplus or earning power. Both, of course, are important. Yet there is no denying that a good surplus is the goal toward which good earning power strives and that it is an accomplished fact and not a projection.

I had a colleague in the Department who long ago, after much more supervisory experience than I have had, came to something like the same conclusion. Was a bank growing pretty fast—he prescribed more capital. Had it run into some losses—more capital was the answer. If the President was getting pretty old and no successor was in sight, why, then, the bank should have more capital to protect itself against the mortality of man. The appropriate safeguard against low deposit and risk asset ratios, against a deteriorating or cramped head office, against the increased responsibilities of a

new office—what better safeguard than more capital. Some of us used to have a little fun with him by asking him if he recommended this prescription outside the office. "When you get home and your wife tells you she has a cold, do you say to her: woman, you need more capital?" we would ask. But, all the same, his values were sound and I am deeply convinced that the banking in this State that he touched is better off for his harping on capital. None of the banks which he chivvied into raising more capital or retaining a larger percentage of earnings has complained that he overdid it.

During my years in supervision I have been able to observe at first hand banking going through its period of greatest growth. Capital has grown rapidly, too, but not fast enough to keep up with the expansion in deposits and assets. The disparity in these rates of growth has led to a new kind of rationalism. Great ingenuity has been brought into play to show that what appeared to be an inadequacy of capital was actually nothing of the sort. By this exclusion, by that refinement, the devil of low capital ratios was exorcised. If the level of capital were up to the dialectical skill of the theorists, there would be no problem at all.

About Risk Asset Ratios

My feeling is that, whether the banking is commercial or savings, we should not consume any more of our mental resources in polishing up the argument for and against the inclusion of certain items in the category of riskless assets. I am when it comes to these fine-spun theories about risk asset ratios about the way the elder J. P. Morgan was with the man who said he was thinking of buying a yacht and would like to know what Mr. Morgan found it cost to operate one. The reply was that if he even had to think about the cost he had no business owning a yacht. Similarly, the greater the disposition to resort to elaborate risk asset calculations to prove capital sufficiency the more impressive is the indication that the capital is really not all it should be.

The admission is made at this point that the Department has not abandoned all use of risk asset calculations as a supervisory check and tool. Sometimes when the capital isn't there and can't quickly be put there, compromises with the best solutions have to be made. Such banks go on a strict diet, with many of the usual items excluded from it. Under these conditions life can go on, but there is no ruggedness about it. We should not look for the right treatment of our capital problems in the direction of ultra-refined risk asset ratios. When you have to use a complicated formula to explain away a suspicion of capital insufficiency you are giving your case away. There is no way better calculated than a weak or weakening surplus to make yourselves wards of government. Your surplus is your tie to private enterprise, to your independence, to your traditions.

I should like to sketch out for you some of the reasons why I believe a good capital—a good surplus—standing is worth so much. First, it permits you to do a better job of providing service in every sort of way. You can make any sort of good loan, conventional or government protected, that may come along. You don't have to concentrate on the sheltered mortgage loans. You can do the kind of lending, whatever it may be, that the community needs. You may be able to go a little farther into the longer term, low downpayment loans which nobody seems to like very much but which are trying to catch on. The Sept. 30 figures show, incidentally, that the average maturity of your mortgage portfolios is lengthening

rapidly. A relatively good surplus is a great comfort as these longer term risks are assumed.

Sound Advice

A fully rounded service is evidence of the greatest usefulness. In this connection I should like to quote a paragraph from a pamphlet just published by the research council of the American Bankers Association. It deals with this very question of the adequacy of a bank's capital funds.

"Another basic consideration," the brochure says, "is the bank's ability to handle present and prospective credit demand. It involves the question whether the bank may be circumscribed in its lending operations by considerations of capital adequacy. Since one of the bank's primary obligations is to accommodate the legitimate credit needs of its customers, it should endeavor to provide whatever capital funds are needed. It should not have to reject applications for sound loans solely because its capital structure will not support an increase in its risk position if those loans qualify in all other respects."

That paragraph is well considered and well put. The triple-A banks are those whose usefulness to their communities is as great on the loan side as on the deposit side of their balance sheets.

Capital and Surplus Position

These additional recommendations can be offered for a capital or surplus position that is good both absolutely and relatively.

With good capital, a bank is under somewhat less necessity to retain earnings and hence can be more generous to depositors.

With good capital, a bank has more assets working for each dollar of deposits. That is a substantial advantage to have.

With good capital, a bank is better situated to provide fringe benefits for its staff. These benefits now amount to 20% of officer and employee compensation. A number of mergers of banks have taken place in recent years because the absorbed institutions were so badly undercapitalized that they could not afford to provide pension plans for their staffs.

These remarks of mine about capital and surplus are directed as much, or even more, to trustees than to officers. In the Department's experience with different types of institutions, covering a long stretch of years, it is a singular fact that fairly often trustees would go well beyond management recommendations in distributing earnings to depositors. I don't mean to say at all that managements are always right in these things, but it does look as though aggressiveness rules the judgment of some boards. Instances come to our attention now and again of boards egging officers on to match any other bank's dividend rate, come what may.

In most other matters these trustees may be all for proceeding with caution in the fashion of rock-ribbed moderates. Mention dividend rates to this kind of trustee, however, and you see him transformed into a bold and determined man. He wants to know whether the bank is run by mice or men. He turns the cutting edge of his tongue on the management. He appears at times to take it personally if his bank is not right up there with the biggest dividend payers in the world. I wish some foundation would finance a study to find out why this is so. Perhaps it is because he has never completely made the adjustment to the special responsibilities of handling other people's money and thinking in the terms which that duty requires. He is usually a successful man of affairs who is genuinely uncomfortable if any competitor outdoes him in any way. A trustee with drive, I grant you, is the good kind. I would

suggest only that his warm pride in the bank he serves should not permit him to put anything ahead of good surplus strength in his scale of values. In the nature of things, savings banks can help their surpluses only by developing good earnings and plowing a good share of them back into the business.

The boards that get the bit in their teeth on the rate question are the exception rather than the rule, as the dividend moderation of the last year bears witness. Our request for 30 days' prior notice may have helped a little here and there to keep things on an even keel, but fundamentally it was the sound good sense of the managements and the trustees that has made this last year so creditable a one in savings banking in New York State.

The 30-Day Notice

Now at last I come back to the comment on the 30-day notice period that I promised at the outset to make. I believe that we have accomplished all of the good that can be accomplished with the notice request. By its very nature it could be only a temporary device. It was never intended to do anything more than to help the system get away from uniformity in rates and to show that different rates were supportable. Now is the time to complete the process of handing the responsibility for dividend rates back to the banks.

If there is not enough moderation, not enough of proper sense of what is fit and what is not, in the system after 20 years of formal rate control and a brief period of informal rate advice, it is high time we found it out. I, for one, am sure that the prudence is there in adequate quantities.

I am hopeful and confident that we can get by this last quarter of the year with things on an even keel, along the lines that we have been proceeding on since your last convention. I feel sure that, on their own, the banks will act with a proper grasp of competitive values and not with heedless combativeness, and I want you to know that the last request for prior notice of a rate change has been sent to you. It has been well said that responsibility broadens people and brings out their best qualities. It is not less my wish than my belief that the truth of that saying will be borne out in dividend rates.

As the Department prepares to release the last of the dividend strings that it has been maintaining it may be in order to offer you these observations on what, as we see it, a well considered dividend policy for the system would be. A 2½% rate is about as far as the great bulk of banks in the system should go. I made that comment a year ago, and since your surplus-deposit rate has fallen a little in the last year, I am more than ever convinced that the observation was and is a correct one.

The Department has deliberately sought to keep the emphasis in the larger centers on extra dividends, if anything over the 2½% level was to be done, rather than on a higher regular rate for even the best situated banks, as a first step in the process of getting savings banking and the public accustomed to a dividend structure that is not uniform. The time may be at hand when a few, a very few, of the banks best circumstanced as to surplus and earnings might test out a moderately higher regular rate. For the most part these banks are in the small centers upstate. To any banks in the metropolitan area that may be tempted to test out a higher regular rate next year, let me bring forth this note of caution: A higher rate and active drum-beating about it will bring deposits pouring in in such quantities that the rate will become insupportable.

insupportable.

Dividends and Surplus Ratios

Even a bank that sets out to pay a higher regular rate without a lot of flourish and fanfare may soon discover that the price it has to pay for the privilege is a declining surplus ratio. That is too high a cost for a bank that has only a small edge on the general run of banks in surplus and earnings.

Finally, these two observations: Only a few banks that have been paying extras are ready for higher regular rates, and where they choose to go on paying extras there ought to be a good deal of irregularity about them. As a long-range policy there is no place for regular extras.

Second, the decision whether to pay a higher dividend in any form ought not to rest on tax considerations. I say this for a number of reasons, not the least of which is this: A higher payment that is made to cut down on the tax liability will in all likelihood stimulate a faster rise in deposits, which will make the smaller remnant of earnings retained all the more inadequate to cover the new deposits. After all, half a dollar out of every dollar of earnings retained is better than no part of a dollar retained, and maintenance of the more moderate rate will help to keep deposit growth and surplus growth in better balance. In all recorded time and for all of our scientific research, no one has yet come up with a dis-

covery that will permit anybody to eat his cake and have it too. You can't pay out earnings in dividends and have any part of them available to cover new deposits or to provide a reserve against the rapidly rising mortgage portfolio. Moreover, it is impossible for the system to rely on growth to escape tax liability. There is no security in an individual solution that is inapplicable to the whole system.

Once more I say to you that the best, the one enduring and indisputable evidence and measure of your success is the strength within you. Size it is not. It is capital strength—the strength that permits you to become useful in the widest sense to your community. Your strength—your capital—does not take rank in importance below any other measure of your performance. A few years ago Somerset Maugham spoke these words: "If a nation values anything more than freedom it will lose its freedom; and the irony of it is, if it is comfort or money that it values more, it will lose that too."

As managements and trustees approach, for the first time in two decades, the day when unqualified dividend latitude will be theirs, I could wish that every meeting where dividend action is to be taken could be opened with this adaptation of Maugham's utterance:

If a bank values anything more than strength, it will lose its strength.

That is the true perspective. That is the star to steer by.

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News About Banks and Bankers

CorpAmerica, Inc., a holding company, whose controlling interests also control Colonial Trust Co. In the CorpAmerica post, Mr. McKernan will serve as consultant to the board of directors in matters pertaining to the outright purchase of bank stocks and will be in charge of its portfolio of majority and minority stock interests in financial institutions. CorpAmerica at present has holdings in 24 banking institutions. Mr. McKernan, who retired as Vice-President of Manufacturers Trust Company of New York on Nov. 1 to undertake his new duties, has been in the banking business since 1916 when he started with the Irving Trust Company, also of New York. He joined Manufacturers Trust Company in 1931 as Personal Representative of the bank's late President, Harvey D. Gibson, in branch coordination matters. He was subsequently named Assistant Secretary, Assistant Vice-President, and Vice-President. Mr. McKernan is a graduate of Georgetown University School of Law and the Graduate School of Banking sponsored by the American Bankers Association and Rutgers University. He is also a Past President of New York Chapter, American Institute of Banking.

As of Oct. 21 the North Shore National Bank of Chicago, Ill., reported a capital of \$1,000,000 compared with the amount prior to that date of \$600,000, a stock dividend of \$400,000 having served to bring it up to the \$1,000,000 mark.

Following the absorption of the Marine National Bank of Chicago, Ill., on Sept. 17, by the Central National Bank in Chicago, the Marine National, which had a capital of \$200,000 was placed in voluntary liquidation on Oct. 11.

The new capital of the First National Bank of Memphis, Tenn., recently increased from \$4,000,000 to \$6,000,000 by the sale of \$2,000,000 of new stock, became effective on Oct. 22. Details of the plans to enlarge the capital appeared in our Oct. 7 issue, page 1402.

Announcement is made by Mills B. Lane, Jr., President of Citizens & Southern National Bank of Atlanta, Ga., that the board of directors of the bank have elected Lawrence L. Gellerstedt Senior Vice-President of the institution and Robert F. Adamson Executive Vice-President in Atlanta.

Plans to increase the capital of the Alamo National Bank of Alamo, Texas, are under way, the directors having issued a statement to the stockholders at a meeting on Oct. 27 indicating that a resolution was passed to offer to the stockholders 25,000 additional shares at \$30 per share subject to the action of the stockholders at their annual meeting in January and to the approval of the Comptroller of the Currency. This is learned from advices by J. S. McNeal, Jr., in the "San Antonio Light" of Oct. 31 which indicates that "the effect of this will be to increase the capital stock of the bank from \$2,000,000 to \$2,500,000 and at the same time the directors expect to increase the surplus of the bank from \$2,000,000 to \$2,500,000, it is added.

"Each shareholder will have the right to buy one share of stock for four shares owned, as the increase will be from 100,000 to 125,000 shares."

The increase of the capital stock of the Anglo California National Bank of San Francisco has been successfully concluded, Paul E. Hoover, President, announced on Oct. 28. Rights to subscribe for 262,500 additional shares of common stock of the bank at a price of \$45 per share were issued to shareholders of record at the close of business on Oct. 5. Shareholders were permitted to subscribe for the new stock at the rate of one new share for each four shares held. Of the 262,500

new shares, 259,809 shares or 99% of the new issue were subscribed for by the exercise of subscription warrants when the rights expired on Oct. 27. The relatively small remaining number of shares unsubscribed have been taken up by the underwriters' group headed by Blyth & Co., Inc. The additional 262,500 shares bring the total number of Anglo shares outstanding to 1,312,500. Anglo's capital funds are now in excess of \$60,000,000. According to the bank's latest published statement of condition, dated Oct. 7, 1954, Anglo has total assets of more than \$860,000,000 and deposits exceeding \$780,000,000. It presently has 40 offices in 24 communities in northern and central California. An item bearing on the increased capital appeared in our issue of Oct. 14, page 1520.

James F. McGrath, Vice-President in charge of the bank and bankers department of Crocker First National Bank of San Francisco has retired from the bank after 47 years of service. Mr. McGrath, who joined the bank in 1908, served in nearly every department of the bank during his career. In 1927, he became associated with the bank and bankers department and since that time has visited nearly every bank on the Pacific Coast. He is Past President of Group Six of the California Bankers Association and was Treasurer of the California Bankers Association from 1937 to 1939.

Shareholders of The San Francisco Bank, San Francisco, Calif., on Nov. 5 decided the name of the 86-year-old institution should be changed to properly reflect the bank's new branch banking operation. The stockholders gathered in a special meeting called by the bank's board of directors and unanimously adopted First Western Bank & Trust Company as the bank's new name, which becomes effective immediately. The institution was organized Feb. 10, 1868, as the German Savings & Loan Society. Since 1924, however, its formal title has been The San Francisco Bank. T. P. Coats, Chairman of the bank's board of directors, pointed out that in its steady growth to an institution with more than a half billion dollars in assets the bank long ago departed from the unit bank, or "home-city-only, one-bank" philosophy. Thus, today in addition to its main office in San Francisco, it has banking offices in 12 other northern California cities and towns. Moreover, the bank's management has publicly announced that new offices will be opened when deemed advisable.

Mr. Coats said: "We are planning for the further growth of California and the West. This new name of ours will more accurately portray the part we hope to play in this period of expansion. We will provide additional services and facilities to be ever more useful to our customers." In July, this year, the Central Bank of Oakland was acquired, and on Sept. 22 the bank's total resources amounted to \$543,000,000 and its deposits on that date totaled \$482,000,000. In addition to Mr. Coats, senior members of the bank's management include: Rudolph A. Peterson, Chairman of the bank's Executive Committee, and Henry Verdelin, President. Its board of directors is composed of some of the West's leading executives and capitalists.

G. F. Cowen Opens

SUMMIT, N. J. — Gerald F. Cowen is engaging in a securities business from offices at 412 Morris Avenue. He was formerly with First Investors Corporation and Hayden, Stone & Co.

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The State of Trade and Industry

with Nash as the sole manufacturer of 1954 models. However, although some 250,000 of the 1955 models have been completed, only three producers have publicly unveiled their new lines. From Nov. 12 to Nov. 23 a rash of eleven new car models will debut, this statistical agency states.

Highlight of the past week's passenger car output was Chevrolet's bursting into first place with an estimated 1,156,170 cars built to date in 1954, against an equally impressive 1,147,038 manufactured by Ford Division. Latest new car registration data (incomplete for September) show an even smaller difference in their total sales—29 units, in favor of Ford.

On the truck front, last week's erecting showed a 3% gain over the prior week as Ford opened the throttle on 1955 model volume to offset minor dips elsewhere in the industry. Divco was down for inventory this week.

Cumulative totals for 1954 show that United States factories have constructed approximately 4,458,871 cars and 859,837 trucks, or 18.8% and 17.5% fewer than in like 1953.

Canadian plants, meanwhile, are trailing 1953 by 23.2% on cars and 43.3% on trucks. The Nov. 1-6 output registered a 17% gain in vehicle yields, as car totals rose almost 25% to counteract a 23% dip in truck manufacture from a week earlier, "Ward's" notes.

Steel Output at High Point for Year and Scheduled to Advance Further

Delivery dates on some products, particularly the light flat-rolled, are becoming farther and farther extended as orders increase, says "Steel" the weekly magazine of metalworking the current week. Republic Steel Corp. for the second consecutive week lengthened its average delivery time on cold-rolled carbon steel sheets from Its Warren, O., mill by three weeks. It takes 10 to 11 weeks to get that product from Warren; a week earlier it took 7 to 8 weeks, the week before that, 4 to 5 weeks. In two weeks, deliveries have been extended six weeks. Eleven-week delivery means delivery in January. Republic can quote a little faster delivery on cold-rolled sheets out of its big mill in Cleveland. The average there is 6 to 7 weeks, but that's an increase of two weeks over what it was a week ago.

As the order flow expands, ingot output is being stepped up. In the week ended Oct. 31 it equaled the year's high—75.5% of capacity—set in January. To reach 75.5%, the rate rose 0.5 point over the preceding week and marked the second consecutive week of increase. Some steel producers and some steelmaking districts are far above the national average of 75.5%. St. Louis was at 91% and Cleveland 87.5%.

As deliveries of light flat-rolled steel stretch out, consumers are less able than they were to bargain on shipment. This may make them increasingly inventory conscious. Richard F. Sentner, Assistant Executive Vice-President—commercial, United States Steel Corp., Pittsburgh, says that inventories have reached such a low level that many steel consumers are operating hand-to-mouth. "It is clear," Mr. Sentner declares, "that the next major change in the level of steel inventories will be upward."

The American Iron and Steel Institute announced that the operating rate of steel companies having 98.1% of the steelmaking capacity for the entire industry will be at an average of 77.2% of capacity for the week beginning Nov. 8, 1954, equivalent to 1,842,000 tons of ingots and steel for castings as compared with 76.4% or 1,822,000 tons the actual output of 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 72.8% and production 1,735,000 tons. A year ago the actual weekly production was placed at 2,081,000 tons, or 92.3%. 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 Strikes All-Time Record High In Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Nov. 6, 1954, was estimated at 9,357,000,000 kwh., according to the Edison Electric Institute.

This was an all-time record high with the previous high point occurring in the week ended Aug. 28, 1954 at 9,227,000,000 kwh.

This represented an increase of 205,000,000 kwh. above that of the previous week and an increase of 955,000,000 kwh., or 11.4% over the comparable 1953 week and 1,550,000,000 kwh. over the like week in 1952.

Car Loadings Register Mild Declines in the Latest Week

Loadings of revenue freight for the week ended Oct. 30, 1954, decreased 9,774 cars or 1.3% below the preceding week, according to the Association of American Railroads.

Loadings totaled 736,233 cars, a decrease of 44,610 cars or 5.7% below the corresponding 1953 week, and a decrease of 125,883 cars or 14.6% below the corresponding week in 1952.

U. S. Auto Output Spurts 36% Above Previous Week

The automobile industry for the latest week, ended Nov. 5, 1954, according to "Ward's Automotive Reports," assembled an estimated 99,941 cars, compared with 68,649 (revised) in the previous week. The past week's production total of cars and trucks amounted to 119,272 units, an increase above the preceding week's output of 31,833 units or 36% due to overtime and Saturday work at Chrysler Corp. and Studebaker, plus post-changeover buildups at other Big Three plants, states "Ward's." In the like week of 1953 129,269 units were turned out.

Last week, the agency reported there were 19,331 trucks made in this country, as against 18,790 (revised) in the previous week and 12,480 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 3,400 cars and 417 trucks last week, against 2,717 cars and 542 trucks in the

preceding week and 3,588 cars and 926 trucks in the comparable 1953 week.

Business Failures Hold to Lower Levels in Election Week

Commercial and industrial failures dipped mildly to 204 in the week ended Nov. 4 from 223 in the preceding week, Dun & Bradstreet, Inc., discloses. While casualties were a little below the 207 which occurred in the comparable week last year, they exceeded sharply the 1952 toll of 143. In relation to the pre-war level, however, mortality was down 36% from the 318 recorded in 1939.

Failures with liabilities of \$5,000 or more declined to 176 from 193 in the previous week and 181 a year ago. Among small casualties, those involving liabilities under \$5,000, there was a dip to 28 from 30 last week, but they remained slightly above the 26 in the similar week of 1953. Liabilities in excess of \$100,000 were incurred by 13 of the failing concerns as compared with 15 a week ago.

Most of the week's decrease was concentrated in manufacturing where casualties fell to 39 from 58 and wholesaling, down to 18 from 23. While construction dipped one to 22, the toll among retailers held steady at 108 and among commercial service establishments rose to 17 from 11. More retail businesses failed than last year, but other lines had fewer casualties than in 1953. The most notable declines from a year ago appeared in construction and manufacturing.

Five of the nine geographic regions reported lower mortality during the week. The dips were generally mild, but a sharp decline brought the toll in the Middle Atlantic States down to 24 from 86. Failures exceeded the 1953 level in six geographic areas; the only declines from last year occurred in the Middle Atlantic, West South-Central and Pacific States.

Wholesale Food Price Index Rose the Past Week to Highest Level Since Aug. 24

Continuing the upward movement of last week, the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose 3 cents to stand at \$6.74 on Nov. 2, the highest level since Aug. 24 when it stood at \$6.89. The current figure compares with \$6.48 on the like date a year ago, or a gain of 4.0%.

Moving higher in price this week were wheat, oats, sugar, milk, coffee, cottonseed oil, cocoa, steers, and lambs. Lower were flour, corn, rye, barley, lard, eggs, and hogs.

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

Wholesale Commodity Price Index Closes Latest Week Slightly Lower

There was very little movement in the Dun & Bradstreet daily wholesale commodity price index during the past week. The index finished at 276.86 on Nov. 1. It was down slightly from 277.49 a week earlier and compared with 271.74 on the corresponding date a year ago.

Grain markets worked generally toward higher levels in the past week. Wheat strengthened despite the prospect of a smaller 1954 crop and the tremendous stocks held in the United States. Supplies of wheat in all positions on Oct. 1 were the largest on record and totaled 1,682,000,000 bushels. Buying of the bread cereal was based on the strong cash situation, the brighter export outlook and indications that much wheat will find its way into the loan. The rise in soybeans was sparked by light marketings and unfavorable weather for harvesting. Corn and oats developed a steadier tone largely in sympathy with other grains.

The Fall harvest was said to be about ten days to two weeks later than last year and the peak movement of corn and soybeans has been very small as compared with former years, indicating a holding attitude on the part of producers.

Daily average purchases of grain and soybean futures increased last week and totaled 52,300,000 bushels, against 40,600,000 the week before.

Domestic flour bookings continued in very small volume last week with minor price fluctuations offering little or no inducement to bakers or jobbers. Shipping directions were maintained at a fairly good rate. Export flour business remained small. Butter was quite steady following recent sharp declines.

Cocoa registered sharp advances the past week on buying influenced by higher asking prices by the British Marketing Board. The spot Accra grade showed a rise of about 5 cents a pound over the recent low.

Warehouse stocks of cocoa declined to 92,985 bags, from 98,174 a week previous, and compared with 89,732 bags a year ago. Coffee prices trended higher as the result of active demand by roasters for both spot and future shipment. Cash lard was irregular and finished sharply lower for the week. Hogs recovered from early weakness and closed about unchanged from a week ago. Prime steers held steady to firm, while lambs worked mildly lower.

Cotton prices moved irregularly in a narrow range and showed little change for the week.

Supporting influences were generally lacking although price-fixing and mill buying tended to hold prices fairly stable.

Trading was more active in the 14 markets with sales totaling 479,900 bales, against 450,400 in the preceding week. The mid-October parity price for cotton was placed at 34.60 cents a pound, a drop of 49 points below two months ago. The amount of cotton ginned prior to Oct. 16 was smaller than the trade had expected. Total ginnings for the season, according to the Bureau of the Census, were 7,817,000 bales. This was 11% below last year, and was equivalent to about 63% of the indicated 1954 production.

Trade Volume Shows Little Change From Week Ago

Heavy response to widespread promotions on Tuesday seemed to be balanced by shopping losses due to voting, with the result that the elections had little effect on retail sales in the period ended on Wednesday of last week.

The total volume of business was about equal to that of the preceding week and moderately above a year ago. Specialized shops reported larger sales than did department stores.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 1 to 5% above the

level of a year ago. Regional estimates varied from the corresponding 1951 levels by the following percentages: Northwest -1 to -5; South and Midwest 0 to +4; New England and Pacific Coast +1 to +5; Southwest +2 to +6 and the East +3 to +7.

Apparel contributed substantially to last week's healthy volume of business. Women's coats were particularly popular and furs, sportswear and millinery sold well. Dresses and suits, however, were not so favored by shoppers. Purchases of men's clothing gained in such items as shirts, wool robes and suits.

Housewives spent greater amounts for food the past week than year ago. Meat buying was concentrated on veal, rounds and ribs of beef, pork loins and poultry (the last item being in greater supply than demand). Canned tuna and frozen fish sticks were particularly popular.

Aggressive promotions created some new interest in toys last week, while sales of household goods were spotty. Electric blankets, clock-radios and deep-fat fryers were in demand, but furniture, bedding and floor coverings sold poorly.

Purchases of major appliances declined and competition tightened among dealers in many parts of the country.

While a seasonal expansion of wholesale buying continued in the week, there was little prospect of a marked rise in orders during coming months. Last week the New York Credit Group Service, Inc., reported a survey, the results of which were similar to widely held market expectations.

This group found that more than 90% of the credit executives interviewed thought that wholesalers, distributors, and retailers in most businesses, ranging from apparel to automotive supplies, would continue their present cautious buying.

Both steady, or slightly easing, prices and top-heavy inventories in the past 18 months could account for this conservative outlook.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Oct. 30, 1954, rose 4% above the like period last year. In the preceding week, Oct. 23, 1954, an increase of 9% was registered above that of the similar period in 1953 while for the four weeks ended Oct. 30, 1954, a gain of 3% was noted. For the period Jan. 1 to Oct. 30, 1954, a loss of 2% was registered from that of the 1953 period.

Retail trade in New York City last week rose by about 6% as a result of colder weather, trade observers report.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Oct. 30, 1954, registered an increase of 5% above the like period of last year. In the preceding week, Oct. 23, 1954, an increase of 6% was reported from that of the similar week in 1953, while for the four weeks ended Oct. 30, 1954, a decline of 1% was reported. For the period Jan. 1 to Oct. 30, 1954, no change was registered from that of the 1953 period.

Two With FIF

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—William J. Crisp, Jr. and Norman A. Ford have been added to the staff of FIF Management Corporation, 444 Sherman Street.

Straus, Blosser Adds

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich.—Harvey R. Comrie has joined Straus, Blosser & McDowell, Grand Rapids National Bank Building.

Funston Warns Against Canadian High Pressure Securities Sales Literature

President of the New York Stock Exchange, in the official publication of the organization, says "Operation Sucker" is rolling down from Canada's largest city at high speed, and American public is being defrauded.

Writing in the November issue of "The Exchange" magazine, the official publication of the New York Stock Exchange, Keith Funston, the President of the Exchange, issued a warning against phony Canadian securities. He denounced the "rat-hole salesmen of phony securities" who are picking the pockets of the American people.



G. Keith Funston

In unusually strong language, Mr. Funston warned American investors to beware of the flood of high-pressure sales literature and telephone calls pouring out of Canada, mostly from Montreal in the Province of Quebec.

"Operation Sucker," he declared, "is rolling down from Canada's largest city at high speed." The American public is being defrauded, he added, despite laws, international agreements, official warnings, persuasion and horrible examples.

"I'm on several sucker lists myself," Mr. Funston writes, "the sucker lists of firms which specialize in peddling day dreams and get-rich-quick schemes."

"Not long ago I received a letter at my home which called my attention to merely a few issues in which profits, according to the firm which wrote me, ranged, not from 10 to a mere 100%, but from 2,000 to more than 10,000%."

"These, mind you, were just a few such issues. The letter ended with the advice that I write in for the names of low-priced stocks which presumably would give me a profit of upwards of 1,000% in the next year and a half. Naturally, there would be no cost for this priceless information."

Pointing out that unfortunately the sensational sales patter of these shoddy shysters is all too successful, Mr. Funston commented:

"I'm almost tempted to believe that a large number of people take a morbid pleasure in burying their savings in moose pastures."

Mr. Funston noted that Canada is a growing country with unlimited potential and that U. S. citizens have already invested billions of dollars in legitimate Canadian enterprises.

"The companies I'm discussing in this article," he said, "have small claim to legitimacy."

"I'd like to make it very clear," he added, "that I am talking only of the parasites of the securities industry, not the vast majority of honest brokers in this country and Canada, including Montreal."

"Probably less than a couple of hundred chiseling salesmen are harrasing the brokerage industry of two nations with their swindles."

Mr. Funston noted that the problem of the phony stock salesmen is not limited to Montreal and cited "prospecting by stock certificate" which has been touched off by uranium discoveries in the West.

Expressing the opinion that there's nothing wrong with keeping an eye on speculative uranium, gold or oil stocks, he added:

"Don't be dazzled by the nice man who offers to let you buy uranium-plated gold bricks below cost just because he likes you."

The Stock Exchange President explained how one favorite de-

vice of the "Montreal mountebanks"—the option—works:

If you express any interest at all in the swindler's initial pitch, Mr. Funston said, you're likely to get back in the mail a beautifully printed certificate which says you are entitled to buy 1,000 shares of H₂O stock at 75 cents a share. With this option you'll receive a letter stating that the first public offering of the stock will be at \$1 a share.

That option, he went on, may look pretty good to you—you're getting a better price than the public.

"The catch, of course, is that the stock may be worth approximately the cost of the paper on which the option is printed."

Mr. Funston warned:

"Don't throw your money down an illusory mine, even though it's got a gilded sign on top proclaiming 'Chance of a Lifetime.'"

"Don't let the few termites of the securities industry undermine your financial security."

Before you do business with any high-pressure securities salesman, Mr. Funston advised the public:

"Get in touch with a member firm of the New York Stock Exchange or any regional stock exchange—check with the National Association of Securities Dealers—write to the Securities and Exchange Commission in Washington or to your own state Securities Administrator—call your local Better Business Bureau. The help these people will give you won't cost you a dime."

Continued from page 16

The Steps Needed to Increase International Investment

people. The United States had a population of about 50 million.

Now, what are the corresponding figures, which I take from the 1953 balance of payments figures published by the Fund? The United States had an income from foreign investment of \$2,154 million on direct investment, and income from other types of investments, including government loans, of \$468 million. Therefore, the total net income from investments was \$2,622 million of income.

Now, in the same period, how much did the United States invest? Abroad, in long-term investments—let's take direct investment first—direct investment, including reinvestment of profits, amounted to \$1,413 million. And on securities account the balance is minus \$64 million—in other words, it had \$64 million less of portfolio investment than the year before.

Now, official and banking long-term loans net amount to \$117 million. If I remember well, the figure for actual disbursements of the World Bank is about \$160 million.

So the total from the United States, excluding World Bank, I should say, is around about \$1,500 million during 1953 as compared with \$2,622 million of income. In other words, the net flow of transfers from countries to the United States was appreciably more than

the outflow from the United States to the rest of the world. And if you consider that the great part of this outflow is from investment in oil, you will see that the figures are really not encouraging.

If one compares this small amount of capital invested abroad with the size of the gifts that this very generous country has given, some \$30 billion to \$40 billion of gifts, including Marshall Plan and Mutual Security Plan, one is led to think somewhat that the United States has more ability to give than to lend.

Now in analyzing the reason why, let's try if we can to see why such features are taking place. I will divide it between what I shall call minor and major causes.

Technical Causes

The minor causes, I should say, are rather technical but they are simple. First of all is the fact that the only kind of investment, foreign investment, which is supposed to be sound is one that must contribute to a balance of payments improvement. Well, inasmuch as a good many economists are here, I do not need to go into details to explain that a foreign loan may be granted—foreign investment may take place—in an underdeveloped country which neither produces an increase of exports nor a decrease in imports

Why "Convertibility" Drags Its Feet

"Major wars always bring financial disorders. The intractability of the postwar problem of convertibility has many explanations but none more basic than delays in action to deal with inflation, to discard artificial cheap money policies, and to get government budgets and debts under control."

* * *

"The question emerges as to whether political pressures are not working in many countries to keep the inflation kettle boiling over and to perpetuate balance of payments difficulties. In other words, are not soft money policies, directed toward the maintenance of full employment, constantly undermining the value of money, the savings flow, and the international competitive power of the nations practicing such policies? Are nations willing to submit to the rules of sound money or are they reconciled to periodic if not continuous depreciation of the coin in which their wages, pensions, and other means for livelihood are expressed?"

—The National City Bank of New York.

These are indeed the real questions!

and still does not amount to a balance of payments disequilibrium—provided there is no inflation. The beast is inflation. The investment may be of a nature that produces an excellent amount of activity. It can have excellent results for the country and still may not have a direct action on the balance of payments. That misconception I think should be put aside.

The second technical point which has relevance, which I would like just to mention, is the investment criterion which thinks that loans should only cover the foreign exchange requirements. That's in connection with Article IV of the World Bank charter. There seems to be there a lamentable confusion between the physical items of capital and capital for savings. The fact that in a certain scheme or a certain project only 30%, let's say, of it is composed of goods which must be imported does not mean that the underdeveloped country should be or is able to provide 70% of the savings necessary, when the fact of "underdevelopment" itself means that the country does not have the savings at its disposal.

I think these two points are what I shall call the minor misconceptions.

The Transfer of Leadership

Now going to the major causes, I simply think we must realize this: That the leadership of the economic world has passed from Great Britain to the United States; that is—I don't know if it's an English word, but I'll risk it—the leadership has passed from an extroverted country to an introverted country.

The word may be of Latin origin; I don't know.

By "extroverted country" I mean a country looking to the outside world. Great Britain was a country for which foreign trade meant 20%, more or less, of national income, whereas the United States is a country in which foreign trade means 6%, more or less, of the national income. The stake of Great Britain in the outside world was much more than that of the United States.

The second point for us to realize—I am not criticizing; I am just stating facts—is that while Great Britain was not competitive with primary producing countries in any way, the United States, with its tremendous size and possibilities, both in industrial and in agricultural production, is competitive with several primary producing countries.

The third point, which I think is very important, is that Great Britain had an extremely comprehensive understanding of what I shall call the multiplier. The multiplier I have in mind is not the foreign trade multiplier that you economists have in mind perhaps now; it is another multiplier. I have had a great deal to do with the British and dealt with them for some 30 years, and always found they have a very good understanding of this multiplier concept. It means that a loan that is granted to an underdeveloped country meant employment, meant increase of trade, meant development of markets, meant acceptance commissions, meant money market discounts, meant insurance, meant freight, meant coal. These other activities represent the multiplier, i.e., advantages to be taken from the foreign investment in a good many ways outside the profit of the investment itself.

The United States, by the nature of its economy, is too busy with the development of its own country to take care and have a proper understanding of these secondary but most important concepts,

which I have called the multiplier advantage of foreign investment.

The Tax Problem

As a final remark, I would like to point out the important question of income tax. This has been referred to so many times, but really I think it is a very important point. You take, for instance, capital that goes to Brazil. That means American equipment goes there, American know-how is exported to Brazil, and Brazil supplies labor, raw materials, and so forth. In the end, we have a Brazilian-American undertaking. If successful, i.e., if it produces a profit, the Brazilian Government comes and says, "Please give me my 10% of those profits, which is my income tax." Now, the richer country, here represented by my distinguished colleague, Mr. Humphrey, says, "Give me my share of this profit," which sometimes amounts to 30% or more.

I think this is quite harmful to foreign capital, because, after all, if you don't give the American businessman some sort of inducement to go outside his country, why should he go? He has so many interesting possibilities right in his very country; he has the understanding; he has the language; he understands the mentality of the people. In order to go to another country, there must be some sort of inducement for him to do so. The Rockefeller Report indicates 17 countries which do not charge tax on income produced outside the countries.

I would like to conclude by a final remark on the absolute meaning of the figures that we see—when I say "we," I am referring to the founding fathers of the 1944 Bretton Woods Agreement, such as Mr. Rasminsky of Canada and others that I see here.

When the meaning of the 1944 figures is compared to their meanings today, it must be borne in mind that international trade has since then increased by some 40%, and the purchasing power of the dollar has decreased by 40%. Therefore, the figures that we had in mind both for the Fund and for the Bank should be reviewed.

In conclusion, I repeat, that underdeveloped countries should maintain the climate of receptivity for foreign capital and combat inflation and nationalism. The capital-exporting countries should sincerely consider that when the conditions of receptivity in the underdeveloped countries are satisfactory, the figures of migrating capital should be subject to a very large multiplier.

W. R. Paynter Co. Formed

PHOENIX, Ariz.—W. R. Paynter & Co. is engaging in a securities business from offices at 4203 North 12th Street. Walter R. Paynter is a principal.

Joins Southern Inv. Co.

CHARLOTTE, N. C.—Cecil C. Rankin is now associated with Southern Investment Company of Charlotte in the Gastonia, N. C., area.

Joins Bache & Co.

(Special to THE FINANCIAL CHRONICLE)
KANSAS CITY, Mo.—Clifford R. Trenton is now associated with Bache & Co., 1000 Baltimore Ave.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)
SPRINGFIELD, Mo.—Robert K. Hudson is affiliated with King Merritt & Co., Inc., Woodruff Building.

Securities Now in Registration

★ INDICATES ADDITIONS
SINCE PREVIOUS ISSUE
● ITEMS REVISED

Amalgamated Uranium Corp., Salt Lake City, Utah
Sept. 1 (letter of notification) 2,500,000 shares of common stock (par three cents). Price—10 cents per share. Proceeds—For exploration and development costs. Office—218 Atlas Bldg., Salt Lake City, Utah. Underwriter—Ned J. Bowman Co., the same city.

American Buyers Credit Co., Phoenix, Ariz.
Aug. 6 filed 5,000,000 shares of common stock to be issued to policyholders of American Buyers Insurance Co. and American Buyers Casualty Co., and employees. Price—To so-called "Expansion Policyholders" (various policyholders of both insurance companies), and employees, at par (\$1 per share); and to all other policyholders in the insurance companies, \$1.25 per share. Proceeds—To expand in the small loan field. Underwriter—None.

American Buyers Insurance Co., Phoenix, Ariz.
Aug. 18 (letter of notification) 2,500 shares of common stock, being offered to stockholders of record Aug. 16 on a pro rata basis; rights to expire on Nov. 12. Price—At par (\$10 per share). Proceeds—To acquire capital required by Arizona law for a stock benefit insurance company. Office—2001 East Roosevelt, Phoenix, Ariz. Underwriter—None.

American Independent Reinsurance Co.
Sept. 2 filed 900,000 shares of common stock (par \$1). Price—\$4 per share. Proceeds—To be invested in securities of other companies and for working capital. Office—Orlando, Fla. Underwriter—Goodbody & Co., St. Petersburg, Fla.

American Uranium, Inc., Moab, Utah
Aug. 18 (letter of notification) 3,320,000 shares of capital stock. Price—At par (five cents per share). Proceeds—For exploration and development expenses. Underwriter—Ogden Uranium Brokerage Co., Ogden, Utah.

Ampal-American Israel Corp., New York
Sept. 17 filed \$5,000,000 of 10-year 5% sinking fund debentures, series C, due 1964; \$3,125,000 of 5-year discount debentures, series D; and \$4,100,000 of 10-year discount debentures, series E. Price—Series C, at par; series D \$2,507,659.53, to yield return equal to compound interest at rate of 4½% per annum, compounded; and series E \$2,502,111.10, to yield 5%. Proceeds—For development and expansion of agricultural, industrial and commercial enterprises in Israel. Underwriter—None.

★ Anticline Uranium, Inc., San Francisco, Calif.
Oct. 28 (letter of notification) 2,970,000 shares of class A capital stock. Price—At par (10 cents per share). Proceeds—For exploration and development expenses. Office—995 Market St., San Francisco, Calif. Underwriter—Coombs & Co., of Los Angeles, Inc., Los Angeles, Calif.

Arkansas Natural Resources Corp.
June 11 (letter of notification) 299,500 shares of common stock (par 25 cents). Price—\$1 per share. Proceeds—For expenses incident to drilling for magnetic iron ore. Office—Rison, Ark. Underwriter—Eaton & Co., Inc., New York, N. Y.

★ Arrowhead & Puritas Waters, Inc., Los Angeles, Calif. (11/29-30)

Nov. 8 filed 275,000 shares of capital stock (par \$1), of which 50,000 shares are to be issued by the company and 225,000 shares on behalf of American Trust Co., as trustee of Employees' Incentive Bonus Plan and Trust of Rheem Mfg. Co. Price—To be supplied by amendment. Proceeds—Together with other funds, to retire unsecured term loan and subordinated term loan and for working capital. Business—Produces, distributes and sells bottled drinking water and is engaged in related activities. Underwriter—Blyth & Co., Inc., San Francisco and Los Angeles, Calif., and New York, N. Y.

● Atlas Credit Corp., Philadelphia, Pa. (12/2)
Nov. 1 (letter of notification) 74,800 shares of 20-cent cumulative convertible preferred stock (par \$2.50) and 74,800 shares of common stock (par 10 cents) in units of one share of each class of stock. Price—\$4 per unit. Proceeds—For further expansion. Office—2411 No. Broad St., Philadelphia 32, Pa. Underwriter—George A. Searight, New York.

Automatic Remote Systems, Inc., Baltimore
Aug. 4 filed 620,000 shares of common stock (par 56 cents), of which 540,000 shares are to be offered to public and 80,000 shares to be issued to underwriter. Price—\$3.75 per share. Proceeds—For manufacture of Telebet units and Teleac systems and additions to working capital. Underwriter—Mitchell Securities, Inc., Baltimore, Md.

Aztec Oil & Gas Co., Dallas, Texas (11/17)
Oct. 13 filed 285,005 shares of common stock (par \$1) to be offered for subscription by common stockholders of record Oct. 29 at the rate of one new share for each seven shares held; rights expire on Dec. 8. Price—To be supplied by amendment. Proceeds—To exercise an op-

tion to purchase certain oil and gas production and undeveloped leases from the Southern Union Gas Co., retire bank loans and to increase working capital. Underwriter—None.

● Baldwin-Hill Co., Trenton, N. J. (11/16)
Nov. 1 (letter of notification) 30,000 shares of common stock (par \$1), of which 20,000 are for account of company and 10,000 for selling stockholders. Price—\$6.50 per share. Proceeds—To retire \$83,600 of 6% debentures; reimburse treasury for retirement of 145 shares of 6% preferred stock (par \$100) and for general working capital. Business—Mineral wool products. Underwriters—Estabrook & Co., New York; and Dehaven & Townsend, Crouter & Bodine, Philadelphia, Pa.

● Barium Steel Corp., New York
Oct. 12 filed 599,215 shares of common stock (par \$1) being offered for subscription by common stockholders at rate of one new share for each four shares held as of Nov. 4 (with an oversubscription privilege); rights to expire Nov. 26. Price—\$4 per share. Proceeds—To repay short-term loan made to subsidiary; a major portion for completion of seamless tube mill being constructed; and for general corporate purposes. Underwriter—Lee Higginson Corp., New York.

Big Bend Uranium Co., Salt Lake City, Utah
Aug. 6 (letter of notification) 7,000,000 shares of common stock. Price—At par (three cents per share). Proceeds—For mining expenses. Office—510 Newhouse Building, Salt Lake City, Utah. Underwriter—Call-Smoot Co., Phillips Building, same city.

Big Horn Uranium Corp., Ogden, Utah
Sept. 23 (letter of notification) 4,000,000 shares of common stock (par one cent). Price—Five cents per share. Proceeds—For exploration and development expenses. Office—3375 Harrison Blvd., Ogden, Utah. Underwriter—Allan W. Egbert Co., 2306 Iowa Ave., Ogden, Utah.

Big Indian Uranium Corp., Provo, Utah
July 15 (letter of notification) 500,000 shares of common stock (par 10 cents). Price—25 cents per share. Proceeds—For mining operations. Address—Box 77, Provo, Utah. Underwriter—Weber Investment Co., 242 N. University Ave., Provo, Utah.

Bikini Uranium Corp., Denver, Colo.
Oct. 15 (letter of notification) 3,000,000 shares of common stock (par one cent). Price—10 cents per share. Proceeds—For exploration and development costs. Office—705 First National Bank Bldg., Denver, Colo. Underwriter—I. J. Schenin Co., New York.

Black Hills Power & Light Co. (11/23)
Nov. 3 filed 39,900 shares of cumulative preferred stock (par \$25—convertible through Nov. 30, 1964). Price—To be supplied by amendment. Proceeds—To redeem 5.40% preferred stock, repay bank loans and for new construction. Underwriter—Dillon, Read & Co. Inc., New York.

Blue Jay Uranium Corp., Elko, Nev.
Oct. 15 (letter of notification) 1,000,000 shares of common stock. Price—25 cents per share. Proceeds—For exploration and development costs. Office—402 Henderson Bank Bldg., Elko, Nev. Underwriter—Security Uranium Service, Inc., Moab and Provo, Utah.

Cahokia Downs, Inc., East St. Louis, Ill.
Aug. 30 filed 140,000 shares of common stock (par \$1) being offered for subscription by stockholders of record Aug. 28. Price—\$5 per share. Proceeds—For construction of racing plant. Underwriter—None. The directors and their associates will purchase any unsold shares.

California Tuna Fleet, Inc., San Diego, Calif.
Sept. 29 filed \$4,000,000 of 6% sinking fund debentures due 1966 and 160,000 shares of common stock (par five cents) to be offered in units of a \$500 debenture and 20 shares of stock. Price—To be supplied by amendment. Proceeds—For purchase from National Marine Terminal, Inc. of its undivided interest in 17 tuna clippers, subject to certain liabilities; for construction of four tuna clippers; and the balance for working capital and general corporate purposes. Underwriter—Barrett Herrick & Co., Inc., New York.

Campbell Soup Co. (11/17)
Oct. 27 filed 1,300,000 shares of capital stock (par \$1.80), representing 13% of the total stock of the company. Price—To be supplied by amendment. Proceeds—To Estate of Dr. John T. Dorrance. Underwriter—The First Boston Corp., New York.

Continued on page 42

NEW ISSUE CALENDAR

November 12 (Friday)

Shenandoah Gas Co. Debentures & Common
(Scott, Horner & Mason, Inc.) \$1,311,000

November 15 (Monday)

Glamur Products, Inc. Common
(Graham, Ross & Co., Inc.) \$300,000
Holiday Plastics, Inc. Common
(S. D. Fuller & Co.) \$298,000

November 16 (Tuesday)

Baldwin-Hill Co. Common
(Estabrook & Co. and Dehaven & Townsend, Crouter & Bodine) \$195,000
Pacific Telephone & Telegraph Co. Debentures
(Bids 11:30 a.m. EST) \$50,000,000
Panellit, Inc. Common
(Bear, Stearns & Co. and Lehman Brothers) 105,000 shares
Producing Properties, Inc. Debts, Pfd. & Common
(Hemphill, Noyes & Co., Shields & Co. and Rauscher, Pierce & Co.) \$10,600,000

November 17 (Wednesday)

Aztec Oil & Gas Co. Common
(Offering to stockholders—no underwriting)
Campbell Soup Co. Common
(The First Boston Corp.) 1,300,000 shares

November 18 (Thursday)

Compo Shoe Machinery Corp. Preferred
(Loewi & Co.) \$773,225
Hackensack Water Co. Common
(Offering to common stockholders—underwritten by The First Boston Corp. and White & Co.) 48,047 shares
Kansas City Southern Ry. Bonds
(Bids noon EST) \$50,000,000
Mexican Gulf Sulphur Co. Common
(Van Alstyne, Noel & Co.) 200,000 shares
Tarbell Mines, Ltd. Common
(H. J. Cooney & Co.) \$299,880
Tung-Sol Electric, Inc. Preferred
(Harriman Ripley & Co. Inc.) \$5,000,000

November 22 (Monday)

Old Hickory Copper Co. Common
(General Investing Corp.) \$300,000
Weco Products Co. Common
(Bacon, Whipple & Co.) 182,984 shares

November 23 (Tuesday)

Black Hills Power & Light Co. Preferred
(Dillon, Read & Co. Inc.) \$997,500
Consolidated Freightways, Inc. Common
(Blyth & Co., Inc.) \$400,000 shares
Stadler Hotels Delaware Corp. Common
(Offering to stockholders of Hilton Hotels Corp.—underwritten by Carl M. Loeb, Rhoades & Co.) \$6,448,948

Trade Winds Co. Common
(Courts & Co. and Varnedoe, Chisholm & Co., Inc.) \$506,250
Virginia Electric & Power Co. Common
(Bids 11 a.m. EST) 600,000 shares

November 24 (Wednesday)

El Paso Natural Gas Co. Preferred
(White, Weld & Co.) 300,000 shares

November 29 (Monday)

Arrowhead & Puritas Waters, Inc. Common
(Blyth & Co., Inc.) 275,000 shares

November 30 (Tuesday)

Interstate Power Co. Preferred
(Bids to be invited) \$10,000,000
Philippine Long Distance Telephone Co. Common
(Carl M. Loeb, Rhoades & Co.) 310,285 shares
Public Service Co. of New Hampshire Bonds
(Bids 11 a.m. EST) \$12,000,000

December 1 (Wednesday)

Laclede Gas Co. Bonds
(Bids to be invited) \$15,000,000
Pennsylvania Co. for Banking and Trusts Common
(Drexel & Co.; Merrill Lynch, Pierce, Fenner & Beane and Smith, Barney & Co.) 100,000 shares

December 2 (Thursday)

Atlas Credit Corp. Pfd. & Common
(George A. Searight) \$299,200

December 7 (Tuesday)

Long Island Lighting Co. Bonds
(Bids 11 a.m. EST) \$15,000,000

December 8 (Wednesday)

Stancan Uranium Corp. Common
(Gearhart & Otis, Inc. and Crierie & Co.) \$2,625,000

January 10 (Monday)

New York, Chicago & St. Louis RR. Debentures
(Bids to be invited) \$36,000,000

December 14 (Tuesday)


New England Tele. & Tele. Co. Debentures
(Bids to be invited) \$30,000,000
New Orleans Public Service Inc. Bonds
(Bids noon EST) \$6,000,000

December 15 (Wednesday)

Illinois Central RR. Debentures
(Bids to be invited) \$18,000,000

January 11 (Tuesday)

Commonwealth Edison Co. Bonds
(Bids to be invited)



Corporate
and Public
Financing

NEW YORK BOSTON PITTSBURGH CHICAGO
PHILADELPHIA SAN FRANCISCO CLEVELAND

Private Wires to all offices

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Caramba McKafe Corp. of America

Sept. 17 (letter of notification) 100,000 shares of class A stock (par 10 cents). Price—\$3 per share. Proceeds—To purchase equipment and machinery and for working capital. Office—615 Adams St., Hoboken, N. J. Underwriter—Garden State Securities, same city.

Carnotite Development Corp.

Oct. 26 (letter of notification) 16,000,000 shares of common stock. Price—At par (one cent per share). Proceeds—For exploration and development expenses. Office—317 Main St., Grand Junction, Colo. Underwriter—Western Securities Corp., Salt Lake City, Utah.

Carolina Resources Corp.

Aug. 19 (letter of notification) 299,000 shares of common stock. Price—At par (\$1 per share). Proceeds—To acquire claims and mining equipment, erect and equip processing plant, and for working capital. Office—Nantahala Bldg., Franklin, N. C. Underwriter—Allen E. Beers Co., Western Savings Fund Bldg., Phila. 7, Pa.

Cascade Natural Gas Corp., Seattle, Wash.

Oct. 27 (letter of notification) 23,625 shares of common stock (par \$1) to be offered for subscription by stockholders on a 1-for-10 basis. Price—\$6 per share. Proceeds—To repay bank loans and promissory notes. Office—Securities Bldg., Seattle, Wash. Underwriters—Blanchett, Hinton & Jones, Seattle, Wash., and First California Co., Los Angeles, Calif.

Central Airlines, Inc., Fort Worth, Tex.

Oct. 26 (letter of notification) 150,000 shares of common stock (par 25 cents), to be offered for subscription by stockholders. Price—\$1 per share. Proceeds—To purchase additional aircraft and equipment, setting up new stations, etc. Office—Meacham Field, Fort Worth, Tex. Underwriter—None.

Century Uranium Corp., Dallas, Texas

Nov. 3 (letter of notification) 300,000 shares of common stock (par five cents). Price—\$1 per share. Proceeds—For exploration and development expenses. Office—712 Gulf States Bldg., Dallas, Tex. Underwriter—James Anthony Securities Corp., New York.

Certain-teed Products Corp., Ardmore, Pa.

Sept. 28 filed 412,950 shares of common stock (par \$1) being offered in exchange for 825,900 shares of capital stock (par \$7) of Wm. Cameron & Co., Waco, Tex., at rate of one-half share of Certain-teed, plus \$11.50 per share in cash for each share of Cameron stock. The offer expires on Nov. 25.

Chemecon Corp., Coopersburg, Pa.

Nov. 1 (letter of notification) 40,000 shares of capital stock (no par). Price—\$6.25 per share. Proceeds—To build plant at Houston, Texas, and for working capital. Business—To extract fluorine contained in waste gases. Office—129 So. State St., Dover, Del. Underwriter—Stein Bros. & Boyce, Baltimore, Md.

Chesapeake Industries, Inc.

Oct. 15 filed 996,304 shares of common stock (par \$1) and 33,818 shares of \$4 cumulative preferred stock (par \$10) being offered in exchange for preferred and common shares of Home & Foreign Securities Corp. and Oils & Industries, Inc., common shares of common stock of Intercontinental Holdings, Ltd. and Intercoast Petroleum Corp. and capital stock of Colonial Trust Co. The offer is subject to deposit of not less than 90% of the stock of Colonial and not less than 80% of the stock of the first three companies mentioned above.

Chicago Pneumatic Tool Co.

Nov. 3 (letter of notification) an aggregate of \$300,000 market value of common stock (par \$5) to be offered for subscription by employees. Price—At market. Proceeds—To reimburse company for cost of shares. Office—6 East 44th St., New York 17, N. Y.

Chinchilla Corp. of America, Linthicum, Md.

Oct. 21 (letter of notification) 1,200,000 shares of common stock (par three cents). Price—25 cents per share. Proceeds—For working capital, etc. Office—Hammonds Ferry Road, Linthicum, Md. Underwriter—Kelleher & Co., Washington, D. C.

Clearfield Plastics, Inc.

Nov. 8 (letter of notification) 75,000 shares of common stock (par 10 cents). Price—\$2 per share. Proceeds—To purchase equipment and for working capital. Office—Clearfield, Pa. Underwriter—P. J. Gruber & Co., Inc., New York.

Colorado Fuel & Iron Corp.

Oct. 18 (letter of notification) 3,853 shares of common stock (no par). Price—At market (\$18.75 per share on New York Stock Exchange on Sept. 30). Proceeds—To Allen & Co., New York. Underwriter—J. R. Williston & Co., New York. No general offering planned.

Colorado Mining Corp., Denver, Colo.

Aug. 23 (letter of notification) 300,000 shares of common stock (par 10 cents). Price—At the market (estimated at \$1 per share). Proceeds—To certain selling stockholders. Underwriter—L. D. Friedman & Co., Inc., New York.

Colorado Oil & Gas Corp., Denver, Colo.

Oct. 7 filed 466,295 shares of \$1.25 preferred stock (par \$25), being offered in exchange for common stock of Derby Oil Co. on a share-for-share basis. Underwriter—Union Securities Corp., New York, and associates offers to purchase on or before Nov. 15 any of the preferred shares issued at \$25 per share and accrued dividends.

Colorvision, Inc., Los Angeles, Calif.

Nov. 1 (letter of notification) 300,000 shares of common stock to be offered for subscription to present stockholders. Price—At par (\$1 per share). Proceeds—For work-

ing capital, inventories, machinery and equipment, etc. Office—109 N. Larchmont Blvd., Los Angeles 4, Calif. Underwriter—None.

Col-U-Mex Uranium Corp., Albuquerque, N. Mex.

Oct. 25 (letter of notification) 2,900,000 shares of common stock. Price—At par (10 cents per share). Proceeds—For exploration and development expenses. Office—320 Korber Bldg., Albuquerque, N. Mex. Underwriter—Whitney & Co., same city.

Compo Shoe Machinery Corp. (11/18)

Oct. 29 filed 30,928 shares of 5% cumulative convertible preferred stock (par \$25) to be offered first for subscription by common stockholders at the rate of one preferred share for each 10 common shares held on or about Nov. 5 (with our oversubscription privilege); rights to expire in 15 to 20 days. Price—To be supplied by amendment. Proceeds—For expansion and working capital. Underwriter—Loewi & Co., Milwaukee, Wis.

Consolidated Credit Corp., Charlotte, N. C.

Oct. 25 (letter of notification) \$100,000 of 20-year 6% subordinate sinking fund notes and 100 ten-year warrants to purchase 20 shares of common stock to be sold in units of a \$1,000 note and one warrant. Price—\$1,000 per unit (each warrant is exercisable at \$10 per share.) Proceeds—To repay bank loan. Office—221½ West Trade St., Charlotte, N. C. Underwriter—J. C. Wheat & Co., Richmond, Va.

Consol. Edison Co. of New York, Inc.

April 7 filed \$50,000,000 of first and refunding mortgage bonds, series K, due May 1, 1984. Proceeds—To be applied towards cost of redeeming \$27,982,000 New York Steam Corp. first mortgage bonds and \$25,000,000 Westchester Lighting Co. general mortgage bonds. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. Offering—Originally set for May 11, but has been postponed because of market conditions. No new date set.

Consolidated Television & Radio Broadcasters, Inc.

Nov. 9 filed 160,000 shares of common stock (par five cents). Name of company changed from WFBN, Inc. on Nov. 8. Price—To be supplied by amendment. Proceeds—To H. M. Bitner, Chairman of the Board and members of his family. Office—Indianapolis, Ind. Underwriter—Reynolds & Co., New York.

Constellation Uranium Corp., Denver, Colo.

Oct. 11 (letter of notification) 1,000,000 shares of common stock. Price—At par (one cent per share). Proceeds—For exploration and development expenses. Office—206 Mercantile Bldg., Denver, Colo. Underwriter—Petroleum Finance Corp., Oklahoma City, Okla.

Delta Motor Car Corp., Reno, Nev.

Oct. 25 (letter of notification) 235,950 shares of common stock. Price—At par (\$1 per share). Proceeds—For accounts payable, prototype design, etc. Office—Room 219, 15 East First St., Reno, Nev. Underwriter—None.

Desert Uranium Co., Salt Lake City, Utah

Oct. 18 (letter of notification) 2,000,000 shares of common stock. Price—At par (15 cents per share). Proceeds—For exploration and development expenses. Office—524 Atlas Bldg., Salt Lake City, Utah. Underwriter—Van Blerkom & Co., same city.

Devil Canyon Uranium Corp., Moab, Utah

Nov. 8 (letter of notification) 3,000,000 shares of common stock (par one cent). Price—10 cents per share. Proceeds—For exploration and development costs. Office—21 Main St., Petersen Bldg., Moab, Utah. Underwriter—Melvin F. Schroeder, 501 Kittredge Bldg., Denver, Colo.

Direkt-Form Corp. (N. J.)

Oct. 21 (letter of notification) 50,000 shares of common stock (par 10 cents). Price—\$1 per share. Proceeds—For working capital. Business—In orthopedic appliance and allied fields. Office—151 Hackensack Ave., Hackensack, N. J. Underwriter—20th Century Pioneer Securities Co., New York.

Edgemont Mining & Uranium Corp.

Oct. 28 filed 3,000,000 shares of common stock (par one cent). Price—25 cents per share. Proceeds—For equipment, exploration on purchases of additional claims or leases. Office—Edgemont, S. Dak. Underwriter—Capper & Co., New York.

El Paso Natural Gas Co. (11/24)

Nov. 5 filed 300,000 shares of convertible second preferred stock, series of 1954, to be offered in part for subscription by common stockholders of record around Dec. 23 and in part in exchange for outstanding \$4.40 convertible preferred stock, series of 1952, on a share-for-share basis with a cash adjustment. Rights will expire on Dec. 7. Price—To be supplied by amendment. Proceeds—To redeem 1952 series preferred stock and to reduce bank loans. Underwriter—White, Weld & Co., New York.

Eula Belle Uranium, Inc.

Oct. 18 (letter of notification) 5,000,000 shares of common stock (par one cent). Price—Five cents per share. Proceeds—For exploration and development expenses. Office—506 First Security Bank Bldg., Salt Lake City, Utah. Underwriter—Utah Securities Co., same city.

Fallon Gas Corp., Denver, Colo.

Oct. 20 (letter of notification) 5,400,000 shares of common stock (par five cents) to be offered for subscription by stockholders of Colo-Kan Fuel Corp. for a period of 40 days; then to public. Price—5½ cents per share. Proceeds—For expenses incident to gas activities (and possibly uranium). Office—527 Ernest & Cranmer Bldg., Denver, Colo. Underwriter—First Securities Corp., Philadelphia, Pa.

★ Farmers and Business Men's Life Insurance Co.

Oct. 29 (letter of notification) 200,000 shares of common stock (par \$1). Price—\$1.50 per share. Proceeds—To increase capital and surplus. Office—1517 East McDowell St., Phoenix, Ariz. Underwriter—None.

Farnan & Seemann, Inc., Los Angeles, Calif.

Oct. 11 (letter of notification) 2,000 shares of 6% cumulative convertible preferred stock to be offered for subscription by common stockholders of record Oct. 4 on the basis of one share of preferred stock for each 8.2 shares of common stock held; rights to expire on Nov. 17. Unsubscribed shares to be offered to employees. Price—At par (\$50 per share). Proceeds—For working capital. Office—752 N. Highland Avenue, Los Angeles, Calif. Underwriter—None.

Fidelity Acceptance Corp., Minneapolis, Minn.

Aug. 30 filed 6,000 shares of 7% cumulative preferred stock (par \$25), to be offered to employees; \$900,000 of 5¾% capital debentures and 24,000 shares of 6% cumulative class E preferred stock (par \$25). Price—At par. Proceeds—To reduce outstanding bank loans. Underwriters—M. H. Bishop & Co., Minneapolis, Minn., and B. I. Barnes, Boulder, Colo. Statement effective Oct. 26.

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.

Foster Publications, Inc. (N. Y.)

Oct. 29 (letter of notification) 300,000 shares of common stock (par 10 cents). Price—\$1 per share. Proceeds—For working capital and general corporate purposes. Business—Publishes "Guide for Sport Fisherman." Office—165 Broadway, New York. Underwriter—None.

Four States Uranium Corp., Grand Junction, Colo.

Aug. 18 (letter of notification) 300,000 shares of common stock. Price—At par (\$1 per share). Proceeds—For exploratory and development expenses. Office—618 Rood Avenue, Grand Junction, Colo. Underwriter—Joe Rosenthal, 1669 Broadway, Denver, Colo.

★ Funeral Directors Manufacturing & Supply Co.

Nov. 5 filed 199,907 shares of common stock to be sold to customers. Price—At par (\$100 per share). Proceeds—For capital expenditures and working capital and other general corporate purposes. Office—Louisville, Ky. Underwriter—None.

Gatineau Uranium Mines Ltd. (Canada)

Aug. 10 (Regulation "D") 300,000 shares of common stock. Price—At par (\$1 per share). Proceeds—For exploration and development costs. Office—100 Adelaide St. West, Toronto, Canada. Underwriter—McCoy & Willard, Boston, Mass.

General Gas Corp.

Sept. 22 filed 143,500 shares of common stock (par \$5) being offered in exchange for common stock of Consolidated Gas Co. of Atlanta, Ga., on the basis of 63/100ths of a share of General Gas for each Consolidated share. The offer is subject to deposit of at least 175,000 shares of Consolidated stock out of 210,000 shares outstanding. Underwriter—None.

General Services Life Insurance Co.

Sept. 14 filed 50,000 shares of class A common stock (par \$1). Price—\$10 per share. Proceeds—For general corporate purposes. Office—Washington, D. C. Underwriter—None.

General Uranium Corp., Salt Lake City, Utah

Oct. 27 (letter of notification) 1,200,000 shares of common stock. Price—At par (25 cents per share). Proceeds—For development and exploration expenses. Office—404 Boston Building, Salt Lake City, Utah. Underwriter—P. G. Christopoulos & Co., same city.

★ Gill (J. K.) Co., Portland, Ore.

Oct. 28 (letter of notification) 5,000 shares of common stock (par \$10). Price—\$8 per share. Proceeds—To selling stockholders. Office—408 S. W. Fifth Ave., Portland, Ore. Underwriter—None.

★ Glamour Products, Inc. (11-15-16)

Oct. 27 (letter of notification) 600,000 shares of common stock (par two cents). Price—50 cents per share. Proceeds—To repay \$10,000 loan and for working capital and advertising expenses. Office—119 S. McBride St., Syracuse, N. Y. Underwriter—Graham Ross & Co., Inc., New York.

★ Golden Ensign Mining Co.

Oct. 28 (letter of notification) 150,000 shares of common stock. Price—At par (10 cents per share). Proceeds—For exploration and development expenses. Office—Judge Bldg., Salt Lake City, Utah. Underwriter—None.

Great Southwest Land & Cattle Co.

Oct. 28 filed 1,250,000 shares of class A common stock to be offered to present and future holders of special participating life insurance contracts issued by Great Southwest Life Insurance Co., and to the public generally. Price—At par (\$1 per share). Proceeds—To lease land for operation of cattle business. Office—Phoenix, Ariz. Underwriter—None.

★ Group Securities, Inc., Jersey City, N. J.

Nov. 4 filed 750,000 shares of capital stock. Price—At market. Proceeds—For investment.

Gulf States Utilities Co.

May 14 filed 160,000 shares of preferred stock (par \$100). Proceeds—To redeem 50,000 shares of \$4.50 dividend preferred stock, 60,000 shares of \$4.40 dividend preferred stock, 1949 series, and 50,000 shares of \$4.44 dividend preferred stock at the prevailing redemption prices of \$105, \$105, and \$105.75, respectively. Underwriter—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley &

Continued from page 43

purchase properties of Paragon Plywood Corp. and purchase of raw materials. Office—Crescent City, Calif. Underwriter—None. Sales to be made through Raymond Benjamin Robbins.

★ **Okona Uranium Corp., Las Vegas, Nev.**
Oct. 25 (letter of notification) 300,000 shares of common stock. Price—At par (\$1 per share). Proceeds—For exploration and development costs. Office—710 S. Fourth St., Las Vegas, Nev. Underwriter—None.

★ **Oj Jato Uranium Co., Salt Lake City, Utah**
Aug. 5 (letter of notification) 1,750,000 shares of common stock (par one cent). Price—15 cents per share. Proceeds—For mining operations. Office—114 Atlas Bldg., Salt Lake City, Utah. Underwriter—Rocky Mountain Securities, the same city.

★ **Old Hickory Copper Co., Phoenix, Ariz. (11/22)**
Oct. 7 (letter of notification) 750,000 shares of common stock (par 10 cents). Price—40 cents per share. Proceeds—For mining expenses. Offices—Mayer-Heard Bldg., Phoenix, Ariz., and 2 Broadway, New York, N. Y. Underwriter—General Investing Corp., New York.

★ **Oregon Washington Telephone Co.**
Oct. 7 (letter of notification) 1,000 shares of 5% cumulative preferred stock being offered for subscription by present preferred stockholders on an allotment basis; rights to expire on Nov. 19. Price—At par (\$100 per share). Proceeds—To retire bank loan. Office—Hood River, Ore. Underwriter—Zilka, Smither & Co., Inc., Portland, Ore.

★ **Pacific Telephone & Telegram Co. (11/16)**
Oct. 20 filed \$50,000,000 of 35-year debentures due Nov. 13, 1989. Proceeds—To redeem a like amount of 31-year 4% debentures due Sept. 15, 1984. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co.; Lehman Brothers and Union Securities Corp. (jointly). Bids—To be received at 195 Broadway, New York, N. Y., up to 11:30 a.m. (EST) on Nov. 16.

★ **Palestine Industrial Foundation, Inc.**
Oct. 29 (letter of notification) 4,525 shares of common stock (offered subject to an offer of rescission). Price—At par (\$25 per share). Proceeds—For construction of building. Office—Palestine, Texas. Underwriter—None.

★ **Panellit, Inc., Skokie, Ill. (11/16)**
Oct. 19 filed 105,000 shares of common stock (par \$1), of which 60,000 shares are for the account of the company and 45,000 shares for the account of certain selling stockholders. Price—To be supplied by amendment. Proceeds—For expansion program. Business—Manufactures modern automatic control and data reduction systems. Underwriter—Bear, Stearns & Co., and Lehman Brothers, both of New York.

★ **Paramount Uranium Corp., Moab, Utah**
Oct. 7 (letter of notification) 6,000,000 shares of capital stock. Price—At par (five cents per share). Proceeds—For mining expenses. Office—325 Main St., Moab, Utah. Underwriter—Van Blerkom & Co., Salt Lake City, Utah.

★ **Pay Day Uranium Co., Las Vegas, Nev.**
Oct. 15 (letter of notification) 2,500,000 shares of capital stock (par two cents). Price—10 cents per share. Proceeds—For exploration and development costs. Office—230 Fremont St., Las Vegas, Nev. Underwriter—Allied Underwriter Co., the same city.

★ **Peabody Coal Co., Chicago, Ill.**
July 14 (letter of notification) 17,300 shares of 5% convertible prior preferred stock (par \$25). Price—At market (estimated at \$11.75 per share). Proceeds—To certain selling stockholders. Underwriter—Fairman, Harris & Co., Inc., Chicago, Ill.

★ **Peoples Securities Corp., New York**
Aug. 11 filed 74,280 shares of capital stock. Price—\$11 per share. Proceeds—For investment. Office—136 East 57th Street, New York, N. Y. Underwriter—None.

★ **Petersburg & Hopewell Gas Co.**
Oct. 15 (letter of notification) 13,750 shares of common stock (par \$10) being offered for subscription by stockholders of record Oct. 29; rights to expire on Nov. 18. Price—To stockholders, \$11.75 per share; and to public, \$12.75 per share. Proceeds—For additions and improvements to property, etc. Office—22 S. Sycamore St., Petersburg, Va. Underwriter—Scott, Horner & Mason, Inc., Lynchburg, Va.

★ **Philippine Long Distance Telephone Co. (11/30)**
Nov. 8 filed 310,285 shares of capital stock (par 10 pesos-Philippine). Price—To be supplied by amendment. Proceeds—To Anglo-Canadian Telephone Co., Montreal, Canada. Office—Manila, P. I. Underwriter—Carl M. Loeb, Rhoades & Co., New York.

★ **Photogrammetry, Inc., Silver Spring, Md.**
Nov. 2 (letter of notification) 100 shares of preferred stock (no par) and 197 shares of common stock (no par). Price—Of preferred, \$100 per share; and of common, \$200 per share. Proceeds—For working capital and deferred development costs. Office—7961 Eastern Ave., Silver Spring, Md. Underwriter—None.

★ **Pioneer Finance Co., Detroit, Mich.**
Nov. 8 filed 50,000 shares of 6% cumulative preferred stock (par \$10) and \$600,000 of 10-year sinking fund subordinated debentures. Price—At par. Proceeds—To redeem outstanding debentures and for working capital. Underwriters—Watling, Lerchen & Co., Detroit, Mich., and Mullaney, Wells & Co., Chicago, Ill.

★ **Pioneer Uranium Corp., Moab, Utah**
Oct. 8 (letter of notification) 75,000 shares of capital stock (par 15 cents). Price—At market (approximately 23 cents per share). Proceeds—For working capital. Underwriter—Harrison S. Brothers & Co., Salt Lake City, Utah.

★ **Pipacoto Service Co., Inc., San Angelo, Texas**
Oct. 26 (letter of notification) 100,000 shares of common stock. Price—At par (\$1 per share). Proceeds—For equipment, working capital and general corporate purposes. Office—307 McBurnett Bldg., San Angelo, Calif. Underwriters—None.

★ **Preston Moss Fund, Inc., Boston, Mass.**
Nov. 5 filed 6,000 shares of capital stock. Price—At market. Proceeds—For investment.

★ **Producing Properties, Inc. (11/16-17)**
Oct. 26 filed \$7,500,000 of 5% debentures due 1969; 100,000 shares of 6% preferred stock (par \$25) and 1,000,000 shares of common stock (par 10 cents) to be offered in units of \$75 principal amount of debentures, one share of preferred stock and 10 shares of common stock. Price—\$106 per unit. Proceeds—For acquisition of properties. Business—To purchase interests in producing oil and gas properties, and related activities. Underwriters—Hemphill, Noyes & Co. and Shields & Co., both of New York, and Rauscher, Pierce & Co., of Dallas, Tex.

★ **Professional Discount Corp., Spartanburg, S. C.**
Oct. 26 (letter of notification) 300,000 shares of class A common stock. Price—At par (\$1 per share). Proceeds—For working capital. Office—901 Pine St., Spartanburg, S. C. Underwriter—None.

★ **Public Service Co. of New Hampshire (11/30)**
Nov. 5 filed \$12,000,000 first mortgage bonds, series H, due 1984. Proceeds—To redeem \$2,968,000 of 3 3/4% series F bonds at \$105.15 and \$7,000,000 of 4% series G bonds at \$103.75; and to repay short-term borrowings. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; White, Weld & Co.; Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Salomon Bros. & Hutzler; The First Boston Corp. and Coffin & Burr, Inc. (jointly); Equitable Securities Corp. Bids—Expected to be received up to 11 a.m. (EST) on Nov. 30.

★ **Quaker Warehouse Co., Inc., Philadelphia, Pa.**
Sept. 10 filed \$900,000 of 10-year 6% debentures due Sept. 1, 1964, to be offered to stockholder members of Quaker City Wholesale Grocery Co., a 100% cooperative retail grocer owned organization. Price—At par. Proceeds—To purchase building, and for modernization and improvements. Underwriter—None.

★ **Rapid Film Technique, Inc., N. Y. City**
July 30 (letter of notification) 60,000 shares of common stock (par 10 cents). Price—\$2 per share. Proceeds—For working capital. Office—21 West 46th Street, New York 36, N. Y. Underwriter—Jerome Rosenberg, Future Estate Planning, 630 McLean Ave., Yonkers, N. Y.

★ **Reinforced Plastics Corp., Martha's Vineyard, Mass.**
Oct. 28 (letter of notification) \$295,000 of 5 1/2% five-year convertible debentures, due Oct. 1, 1960, and 29,500 shares of common stock (par one cent) to be offered in units of one \$1,000 debenture and 100 shares of stock. Price—\$1,001 per unit. Proceeds—To retire debt, buy equipment and for working capital, etc. Underwriter—John R. Boland & Co., Inc., New York.

★ **Resort Airlines, Inc., Miami, Fla.**
Oct. 21 (letter of notification) 1,150,000 shares of common stock (par 10 cents) being offered to minority stockholders on the basis of one new share for each two shares held of record Oct. 26, 1954. Resort Airlines, Inc. (Del.), parent, has the right to purchase up to 84% of the offer. Price—20 cents per share. Proceeds—To reduce accounts payable and for working capital. Address—Box 242, International Airport, Miami, Fla. Underwriter—None.

★ **Richland Uranium Corp., Salt Lake City, Utah**
Nov. 2 (letter of notification) 2,950,000 shares of capital stock. Price—At par (10 cents per share). Proceeds—For exploration and development costs. Office—810 First Security Bank Bldg., Salt Lake City, Utah. Underwriter—Jackson & Co., Inc., Boston, Mass.

★ **Rocket Uranium Corp.**
Nov. 1 (letter of notification) 3,750,000 shares of common stock. Price—At par (two cents per share). Proceeds—For exploration and development operations. Office—May be in Salt Lake City, Utah. Underwriter—Not named.

★ **Rolon Tire Chain Corp., Denver, Colo.**
Oct. 27 (letter of notification) 60,000 shares of common stock. Price—\$1 per share. Proceeds—For increased inventory, working capital, sales and production expenses, etc. Office—150 Tejon St., Denver, Colo. Underwriter—Peters, Writer & Christensen, Inc., same city.

★ **Samicol Uranium Corp., Santa Fe, N. M.**
Sept. 14 filed 300,000 shares of common stock (par 10 cents). Price—\$2 per share. Proceeds—For development and exploration expenses, etc. Underwriters—R. V. Klein Co. and McGrath Securities Corp., both of New York.

★ **San Juan Racing Association (Puerto Rico)**
Oct. 1 (letter of notification) 100,000 shares of common stock (par 50 cents). Price—\$3 per share. Proceeds—To build and operate a horse-racing establishment in Puerto Rico. Office—Flamingo Bldg., Santurce, P. R. Underwriter—Hunter Securities Corp., New York.

★ **San Juan Uranium Exploration, Inc.**
Nov. 2 (letter of notification) 2,840,000 shares of common stock (par one cent). Price—10 cents per share. Proceeds—For exploration and development costs. Office—718 Kittredge Bldg., Denver, Colo. Underwriter—Rogers & Co., same address.

★ **Sarasota Concrete Co., Sarasota, Fla.**
Oct. 29 (letter of notification) 1,000 shares of preferred stock. Price—At par (\$100 per share). Proceeds—For new equipment, inventory and to retire certain obligations. Office—1160 Central Ave., Sarasota, Fla. Underwriter—None.

★ **Sherandoah Gas Co., Lynchburg, Va. (11/12)**
Oct. 18 filed \$741,000 of 6% sinking fund debentures due 1979 and 114,000 shares of common stock (par \$1) to be offered in units of \$6.50 principal amount of debentures and one share of stock. Price—\$11.50 per unit. Proceeds—To repay bank loans, repurchase shares of common stock of company, for construction program and other general corporate purposes. Underwriter—Scott, Horner & Mason, Inc., Lynchburg, Va.

★ **Slick Rock Uranium Development Corp.**
Oct. 8 (letter of notification) 2,900,000 shares of common stock (par five cents), including shares for option to underwriter and prior property owner to be amended. Price—10 cents per share. Proceeds—For development and exploration expenses. Office—Newhouse Hotel, Salt Lake City, Utah. Underwriter—Van Blerkom & Co., same city.

★ **Solomon Uranium & Oil Corp., Inc.**
Oct. 7 (letter of notification) 2,000,000 shares of common stock (par one cent). Price—10 cents per share. Proceeds—For mining expenses. Offices—506 Beason Bldg., Salt Lake City, Utah, and 1016 Baltimore Bldg., Kansas City, Mo. Underwriter—E. R. Bell & Co., Kansas City, Mo.

★ **Somerset Telephone Co., Norridgewock, Me.**
June 11 (letter of notification) 2,200 shares of capital stock. Price—At par (\$5 per share). Proceeds—For expansion and new equipment. Underwriters—E. H. Stanley & Co., Waterville, Me.; and Clifford J. Murphy Co., Portland, Me.

★ **Stancan Uranium Corp., Toronto, Canada (12/8)**
Nov. 4 filed 1,750,000 shares of common stock (par 1¢). Price—\$1.50 per share. Proceeds—To acquire uranium claims and for exploration and development work. Underwriters—Gearhart & Otis, Inc., New York, and Crierie & Co., Houston, Texas.

★ **Standard Oil Co. (New Jersey)**
Oct. 15 filed 8,969,055 shares of capital stock (par \$15) being offered in exchange for Humble Oil & Refining Co. capital stock on the basis of nine shares of Standard for 10 shares of Humble. The offer is subject to tender of at least 2,765,616 shares so that Standard will own at least 80% or more of the Humble Oil capital stock. The offer expires on Nov. 30, 1954. Underwriter—None.

★ **Stardust, Inc., Reno, Nev.**
July 9 filed 621,882 shares of preferred stock (par \$10) and 621,882 shares of common stock (par one cent) to be offered in units of one share of each class of stock. Price—\$10.01 per unit. Proceeds—For purchase of land and to construct and equip a luxury hotel. Underwriter—None.

★ **Star Uranium Corp., Salt Lake City, Utah**
Aug. 2 (letter of notification) 6,000,000 shares of common stock (par one cent). Price—Five cents per share. Proceeds—For exploration and development costs. Underwriter—Ned J. Bowman Co., Salt Lake City, Utah.

★ **Statler Hotels Delaware Corp. (11/23)**
Nov. 4 filed 1,004,509 shares of common stock (par \$1) to be offered for subscription by common stockholders of Hilton Hotels Corp. (except members of its executive group) on the basis of one Statler share for each Hilton share held on or about Nov. 23; rights to expire around Dec. 10. The members of the executive group have purchased and paid for an aggregate of 650,000 additional shares of Statler stock. Price—\$6.42 per share. Proceeds—To finance, in part, purchase of Hotels Statler Co., Inc. properties. Underwriter—Carl M. Loeb, Rhoades & Co., New York.

★ **Stouffer Corp., Cleveland, Ohio**
Oct. 19 (letter of notification) 1,500 shares of common stock (par \$2.50). Price—Not to exceed \$22.50 per share. Proceeds—To Gordon Stouffer, Chairman of the Board. Underwriter—Ross, Borton & Simon, Inc., Cleveland, O.

★ **Superior Uranium Co., Las Vegas, Nev.**
Sept. 1 (letter of notification) 29,910,000 shares of common stock. Price—At par (one cent per share). Proceeds—For development and exploration costs. Office—Medical Arts Bldg., Las Vegas, Nev. Underwriter—Uranium Brokers, Inc., the same city.

★ **Sytro Uranium Mining Co., Inc., Dallas, Texas**
Sept. 9 (letter of notification) 2,975,000 shares of common stock (par five cents). Price—10 cents per share. Proceeds—For exploration and development of properties. Office—1406 Life of America Building, Dallas, Texas. Underwriter—Western Securities Corp., Salt Lake City, Utah.

★ **Tacony Uranium Corp., Denver, Colo.**
Aug. 17 (letter of notification) 1,700,000 shares of common stock. Price—10 cents per share. Proceeds—For exploration and development expenses. Office—317 Railway Exchange Building, Denver, Colo. Underwriter—E. I. Shelley Co., Denver, Colo.

★ **Tarbell Mines, Ltd. (Canada) (11/18)**
Sept. 24 (Regulation "D") 599,760 shares of common stock (par \$1—Canadian). Price—50 cents per share.—U. S. funds. Proceeds—For exploration and development expenses and acquisition of property. Underwriter—H. J. Cooney & Co., New York.

★ **Temple Mountain Uranium Co.**
Oct. 7 (letter of notification) 3,500,000 shares of common stock (par 2 1/2 cents). Price—3 cents per share. Proceeds—For exploration and development expenses. Office—39 Exchange Place, Salt Lake City, Utah. Underwriter—Walter Sondrup, same city.

★ **Texas International Sulphur Co.**
June 21 filed 455,000 shares of common stock (par 10 cents), of which 385,000 shares are to be offered for subscription by common stockholders at the rate of one new share for each 4 1/2 shares held; and 70,000 shares are for account of certain selling stockholders. Price—To be supplied by amendment. Proceeds—For exploration

and drilling, and payment of bank loans and advances. Underwriter—Vickers Brothers, New York, on a "best efforts" basis.

Thunderbird Uranium Co., Reno, Nev.
Aug. 3 (letter of notification) 1,800,000 shares of common stock (par 10 cents). Price—15 cents per share. Proceeds—For mining activities. Office—206 N. Virginia St., Reno, Nev. Underwriter—Stock, Inc., Salt Lake City.

• **Trade Winds Co., Thunderbolt, Ga. (11/23)**
Nov. 1 filed 112,500 shares of common stock (par \$1), of which the company proposes to sell 37,500 shares and selling stockholders 75,000 shares. Price—\$4.50 per share. Proceeds—For working capital. Underwriters—Courts & Co., Atlanta, Ga., and Varnedoe, Chisholm & Co., Inc., Savannah, Ga.

Trans-Continental Uranium Corp.
Oct. 1 (letter of notification) 2,990,000 shares of common stock. Price—At par (10 cents per share). Proceeds—For exploration and development costs. Office—358 S. 3rd St. East, Salt Lake City, Utah. Underwriter—Western Securities Corp., same city.

Tung-Sol Electric, Inc. (11/18)
Nov. 1 filed 100,000 shares of convertible preferred stock (par \$50). Price—To be supplied by amendment. Proceeds—For expansion and general corporate purposes. Underwriter—Harriman Ripley & Co. Inc., New York.

★ **Twin Coach Co., Kent, Ohio**
Oct. 28 (letter of notification) not more than 2,000 shares of common stock (par \$1). Price—At market (estimated at about \$15 per share). Proceeds—To stockholders in lieu of fractional shares in connection with stock distribution. Office—850 West Main St., Kent, O. Underwriter—None.

Ucolo Uranium Co., Salt Lake City, Utah
Sept. 13 (letter of notification) 2,800,000 shares of common stock (par one cent). Price—10 cents per share. Proceeds—For exploration and development costs. Office—906 Walker Bank Bldg., Salt Lake City, Utah. Underwriter—Western Securities Corp., the same city.

Uintah Uranium, Inc., Salt Lake City, Utah
Oct. 5 (letter of notification) 15,000,000 shares of common stock (par one cent). Price—Two cents per share. Proceeds—For exploration and development costs. Office—424 Judge Bldg., Salt Lake City, Utah. Underwriter—James E. Reed Co., same city.

Union Compress & Warehouse Co.
June 25 (letter of notification) 30,000 shares of common stock (par \$1). Price—\$10 per share. Proceeds—To 35 selling stockholders. Office—Memphis, Tenn. Underwriters—Leftwich & Ross and Mid-South Securities Co., both of Memphis, Tenn.

★ **United Merchants & Manufacturers, Inc.**
Nov. 5 filed \$500,000 of interests in the Employees Stock Purchase Plan for 1955 (together with 75,000 shares of stock), and 241,860 shares of common stock to be issued under The Executive Employees Restricted Stock Option Plan.

Universal Petroleum Exploration & Drilling Corp.
Oct. 4 (letter of notification) 300,000 shares of common stock. Price—At par (\$1 per share). Proceeds—For cost of Driller Boy (drilling equipment which company rents out), and working capital. Office—c/o Edwin J. Dotson, attorney-at-law, Simon Bldg., 230 Fremont St., Las Vegas, Nev. Underwriter—Robert B. Fisher Investments, 510 South Fifth St., Las Vegas, Nev.

Urainbow, Inc., Salt Lake City, Utah
Aug. 31 (letter of notification) 2,000,000 shares of common stock (par two cents). Price—15 cents per share. Proceeds—For exploration and development expenses. Office—908 Kearns Bldg., Salt Lake City, Utah. Underwriter—Austin B. Smith Brokerage Co., the same city.

Uranium Corp. of Colorado
Sept. 23 (letter of notification) 300,000 shares of common stock (par one cent). Price—\$1 per share. Proceeds—For exploration and development costs. Office—129 East 60th St., New York, N. Y. Underwriter—None.

Uranium of Utah, Inc., Provo, Utah
Sept. 14 (letter of notification) 3,000,000 shares of common stock (par 1 cent). Price—10 cents per share. Proceeds—For exploration and development costs. Office—227 N. University Ave., Provo, Utah. Underwriter—Bay Securities Corp., New York.

Utaco Uranium, Inc., Salt Lake City, Utah
Oct. 7 (letter of notification) 6,000,000 shares of common stock (par one cent). Price—Five cents per share. Proceeds—For exploration and development costs. Office—420 Felt Building, Salt Lake City, Utah. Underwriter—Western Securities Corp., Las Vegas, Nev.

Utah Apex Uranium Co.
Oct. 18 (letter of notification) 3,000,000 shares of capital stock (par three cents). Price—Six cents per share. Proceeds—For exploration and development expenses. Office—430 Judge Bldg., Salt Lake City, Utah. Underwriter—Mid-Continent Securities, Inc., same city.

Utah Premier Uranium Co.
Oct. 19 (letter of notification) 5,000,000 shares of common stock (par one cent). Price—Five cents per share. Proceeds—For expenses incident to mining operations. Office—516 Continental Bank Bldg., Salt Lake City, Utah. Underwriter—J. E. Call & Co., same city.

Utah Uranium Corp., Las Vegas, Nev.
Aug. 20 (letter of notification) 10,000,000 shares of capital stock (par 1 cent). Price—Three cents per share. Proceeds—For exploration and development expenses. Office—1818 Beverly Way, Las Vegas, Nev. Underwriter—First Western Securities, same city.

Vestalee Uranium & Thorium Corp.
Oct. 19 (letter of notification) 10,000,000 shares of common stock. Price—At par (one cent per share). Proceeds—For exploration and development costs.

Office—Geneva Finance Bldg., American Fork, Utah. Underwriter—Doxey Investment Co., Salt Lake City, Utah.

Vigorelli of Canada, Ltd. (Canada)
Aug. 9 (Regulation "D") 96,770 shares of 8% preferred stock (par \$2) and 96,770 shares of common stock (par \$1) in units of one share of each class. Price—\$3.10 per unit. Proceeds—For exploration and development expenses. Office—1812 St. Catherine St. West, Montreal, Canada. Underwriter—B. Fennekohl & Co., New York.

Virginia Electric & Power Co. (11/23)
Oct. 22 filed 600,000 shares of common stock (par \$10) to be offered for subscription by stockholders of record Nov. 23 on the basis of one new share for each 10 shares held; rights to subscribe Dec. 8. Price—To be supplied by amendment. Proceeds—For construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; Stone & Webster Securities Corp. Bids—To be received at Room 735, 11 Broad St., New York City, up to 11 a.m. (EST) on Nov. 23.

Vulcan-Uranium Mines, Inc., Wallace, Idaho
Oct. 15 (letter of notification) 1,500,000 shares of common stock. Price—At par (five cents per share). Proceeds—For expenses incident to mining operations. Address—P. O. Box 289, Wallace, Idaho. Underwriter—Allden J. Teske, d/b/a Wallace Brokerage Co., Samuels Hotel, Wallace, Idaho.

Warren (J. C.) Corp.
Oct. 25 (letter of notification) 300,000 shares of common stock (par five cents). Price—\$1 per share. Proceeds—To purchase equipment, liquidate debt to individuals and for working capital. Office—21 Hanse Ave., Freeport, N. Y.

Washington Natural Gas Co., Clarksburg, Va.
Sept. 20 (letter of notification) 10,000 shares of common stock. Price—At the market (estimated at \$1.37½ per share). Proceeds—To Elizabeth D. Hardman, the selling stockholder. Underwriter—Barrett Herrick & Co., Inc., New York.

• **Weco Products Co., Chicago, Ill. (11/22-24)**
Oct. 29 filed 182,984 shares of common stock (par \$1). Price—To be supplied by amendment (approximately \$15 per share). Proceeds—To selling stockholders. Underwriter—Bacon, Whipple & Co., Chicago, Ill.

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.

Western Central Petroleums, Inc., N. Y.
Sept. 16 (letter of notification) 133,333 shares of common stock (par 10 cents). Price—At market (estimated at 36½ cents). Proceeds—To certain selling stockholders. Office—32 Broadway, New York. Underwriter—S. B. Cantor Co., New York.

Western Fire & Indemnity Co., Lubbock, Texas
Oct. 18 filed 30,000 shares of common stock (par \$10). Price—\$25 per share. Proceeds—To establish reserve to qualify company to do business in States other than Texas. Underwriter—None.

Western Plains Oil & Gas Co.
May 24 filed 100,000 shares of common stock (par \$1). Price—\$4.75 per share. Proceeds—To redeem 1,250 outstanding preferred shares (\$125,000), to repay bank loan, etc. (\$2,500); for purchase or acquisition of additional mineral interests, leases and royalties in the United States and Canada and for other corporate purposes. Office—Glendive, Mont. Underwriter—Irving J. Rice & Co., St. Paul, Minn.

Western Precipitation Corp., Los Angeles, Calif.
Oct. 21 filed 60,000 shares of common stock (par \$1). Price—\$8.75 per share. Proceeds—For working capital, etc. Business—Designs, manufactures and installs equipment used for clearing industrial gases. Underwriter—Wagenseller & Durst, Inc., Los Angeles, Calif.

★ **Wilco Oil & Minerals Corp.**
Nov. 2 (letter of notification) 300,000 shares of common stock (par 10 cents). Price—\$1 per share. Proceeds—For expenses incident to oil activities. Office—728 Columbus St., Rapid City, S. D. Underwriter—Fenner-Streitman & Co., New York.

Woodbury (Conn.) Telephone Co.
Sept. 10 (letter of notification) 2,650 shares of common stock being offered for subscription by stockholders of record Oct. 15, 1954 in the ratio of one new share for each share held; with rights to expire on Nov. 12. Price—At par (\$25 per share). Proceeds—For construction program. Underwriter—None.

World Uranium Mining Corp.
July 21 (letter of notification) 2,000,000 shares of common stock (par one cent). Price—Three cents per share. Proceeds—For exploration and development expenses. Office—323 Newhouse bldg., Salt Lake City, Utah. Underwriter—P. G. Christopoulos & Co., same city.

Wyoming Uranium Corp., Salt Lake City, Utah
Aug. 23 (letter of notification) 9,166,667 shares of common stock (par 1 cent). Price—Three cents per share. Proceeds—For exploration and development expenses. Underwriter—James E. Reed Co., Salt Lake City, Utah.

Wytex Oil Corp.
Sept. 17 (letter of notification) \$290,000 of 10-year 5% sinking fund debentures (with warrants) being offered to class A and for class B stockholders of record Aug. 29 on the basis of \$500 of debentures for each 50 shares of stock held; rights to expire on Nov. 30. Price—At par. Proceeds—To reduce bank loans and for development of company's wells in Weston County, Wyo. Office—100 State St., Albany 7, N. Y. Underwriter—None.

Zenith Uranium & Mining Corp.
July 12 (letter of notification) 300,000 shares of common stock (par one cent). Price—\$1 per share. Proceeds—For mining operations. Underwriter—Sheehan & Co., Boston, Mass.

Prospective Offerings

Aluminium, Ltd.
Oct. 13 it was announced stockholders on Nov. 23 will vote on increasing the authorized capital stock from 10,000,000 shares (9,026,234 shares outstanding) to 20,000,000 shares (no par value) of which a part may be offered for subscription by stockholders. Price—It is expected that the proceeds will amount to approximately \$40,000,000. Proceeds—For expansion program. Dealer Managers—In April, 1953, The First Boston Corp., A. E. Ames & Co., Ltd., and White, Weld & Co. managed a group of soliciting dealers to procure subscriptions for the shares. Offering—Probably early in 1955.

• **Armour & Co., Chicago**
Nov. 8 filed 500,000 shares of common stock (par \$5) to be issued upon the exercise of warrants to be issued in connection with proposed plan to issue \$120 principal amount of 5% cumulative income subordinated debentures due Nov. 1, 1984, and one common stock purchase warrant in exchange for each share of no par value \$6 cumulative convertible preferred share outstanding with dividend arrearages of \$18 per share. This will involve \$60,000,000 of new debentures. Warrants would be exercisable at \$12.50 per share during the first two years, \$15 during the next three years, \$17.50 during the following two years and \$20 during the last three years. Financial Advisor—Wertheim & Co., New York.

★ **Australia (Commonwealth of)**
Nov. 1 it was reported sale of \$25,000,000 of bonds to mature in 1969 is planned. Proceeds—To refund 5% bonds due in 1955. Underwriter—Morgan Stanley & Co., New York. Offering—Expected late in November.

Axe Atomic & Electronic Fund
Sept. 20 it was reported securities of this new closed-end fund will be soon offered through Axe Securities Corp., New York, N. Y.

Belgium (Kingdom of)
Nov. 1 it was reported sale of \$30,000,000 of new bonds is expected early in December. Underwriter—Morgan Stanley & Co., New York.

★ **Boatmen's National Bank, St. Louis, Mo.**
Nov. 8 the bank offered stockholders of record Nov. 8 the right to subscribe on or before Nov. 22 for 25,000 additional shares of capital stock (par \$20) at \$50 per share on a 1-for-10 basis. Underwriter—I. M. Simon & Co., St. Louis, Mo.

★ **Broadway-Hale Stores, Inc., Los Angeles, Calif.**
Nov. 5 it was announced stockholders on Nov. 16 will vote on increasing the authorized preferred stock (par \$25) from 136,624 shares to 260,000 shares. It is planned to offer in exchange a new issue of \$1.25 preferred stock for the present \$1.15 preferred stock and sell 63,376 additional shares to finance expansion and provide working capital. Previous preferred stock financing was done privately in 1951.

Byers (A. M.) Co.
Oct. 11, A. B. Drastrup, President, announced that company plans to refinance the 42,277 outstanding shares of 7% preferred stock (par \$100) through a new issue of preferred stock and possibly also include issuing additional common stock. Proceeds—To retire existing preferred stock and for capital expenditures and working capital. Underwriter—Previous preferred stock financing was handled by Dillon, Read & Co. Inc., New York.

Central Power & Light Co.
Oct. 25 it was reported company plans to issue and sell 75,000 shares of preferred stock (par \$100). Proceeds—To repay bank loans and for new construction. Underwriter—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Lehman Brothers and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co.

Central & Southwest Corp.
Sept. 2 it was reported company plans issue and sale of between 500,000 to 600,000 additional shares of common stock, probably first to stockholders. Underwriter—May be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Smith, Barney & Co. (jointly); The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Lazard Freres & Co. (jointly). Offering—Not expected until early in 1955.

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Chesapeake & Ohio Ry.

Sept. 29 it was reported company plans to issue and sell \$40,000,000 of new bonds. **Proceeds**—To refund its outstanding \$37,851,000 3½% bonds and \$2,441,000 4% bonds. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.

Chicago & Eastern Illinois RR.

Sept. 21 company filed an application with the ICC for authority to issue \$15,350,000 of 5% income debentures due Jan. 1, 2054, to be offered in exchange, par for par, for the outstanding 383,751 shares of class A stock (par \$40).

Chicago, Rock Island & Pacific RR.

Oct. 28 it was reported that this company may possibly announce a refunding operation soon which will eliminate its preferred stock.

*** Commonwealth Edison Co. (1/11)**

Nov. 5, William Gale, Chairman, disclosed that this company plans to file a registration statement with the SEC in December covering a proposed issue of long-term, sinking fund debentures (the exact amount of which has not yet been determined). **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; The First Boston Corp. **Bids**—Expected to be received on Jan. 11.

Consolidated Freightways, Inc. (11/23)

Oct. 18 the corporation applied to the ICC for authority to issue and sell 100,000 shares of common stock (par \$5). **Price**—Not less than \$16.50 per share. **Proceeds**—To finance purchase of equipment. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

Consolidated Natural Gas Co.

Sept. 16 J. French Robinson, President, announced that stockholders on Dec. 2 will vote on authorizing 920,822 additional shares of capital stock for an offering to stockholders planned for 1955 on a 1-for-8 basis. **Underwriter**—None.

Consolidated Uranium Mines, Inc.

July 23 stockholders authorized the issuance and sale of not to exceed \$6,000,000 convertible debenture bonds in connection with the acquisition of Uranium Mines of America, Inc. stock. Public offering of \$2,000,000 bonds expected early in 1955. **Underwriter**—Tellier & Co., Jersey City, N. J.

Eastern Utilities Associates

Sept. 20 it was reported company plans issue and sale of \$7,500,000 collateral trust bonds due 1984. **Proceeds**—To be used principally to refund \$7,000,000 4½% bonds now outstanding. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White, Weld & Co.; Stone & Webster Securities Corp. and Estabrook & Co. **Bids**—Expected to be received sometime in November.

*** Evans Products Co., Plymouth, Mich.**

Nov. 6 it was announced stockholders will vote Dec. 21 on approving an authorized issue of 100,000 shares of preferred stock (par \$50) and on increasing the authorized common stock (par \$5) from 300,000 shares to 1,000,000 shares. **Business**—Company manufactures freight car loading equipment. **Financing**—Not imminent.

First National Bank of Cincinnati

Oct. 18 the Bank offered to its stockholders of record Oct. 15 the right to subscribe on or before Nov. 19 for 195,750 additional shares of capital stock on a 3-for-10 basis. **Price**—\$20 per share. **Underwriter**—None.

*** First National Bank of Colorado Springs, Colo.**

Nov. 4 the bank offered stockholders of record Nov. 3 the right to subscribe on or before for 12,500 shares of capital stock (par \$20) at \$38.50 per share on a one-for-four basis. **Underwriters**—Newman & Co.; Bosworth, Sullivan & Co.; and Boettcher & Co.

Fort Neck National Bank, Seaford, N. Y.

Oct. 26 it was announced stockholders will vote Nov. 16 on approving an offering of 26,000 additional shares of capital stock (par \$12.50) to stockholders of record Nov. 16 on a 1-for-2 basis; rights to expire on Dec. 1. This would follow a 2-for-1 stock split. **Underwriter**—Blair & Co. Incorporated, New York.

General American Investment Corp. (Texas)

Oct. 18, Emmett J. Morrow, President, announced company plans to issue and sell 25,000 shares of preferred stock (no par) and 25,000 shares of common stock (par one cent) following approval by the Texas Securities Commission. **Proceeds**—To finance business expansion.

General Telephone Co. of the Southwest

Aug. 25 stockholders approved an increase in the authorized preferred stock (par \$20) from 400,000 to 700,000 shares and in the common stock from 500,000 to 1,000,000 shares. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.

Georgia Gas Co.

Aug. 27 it was announced that this company, a subsidiary of United Cities Utilities Co., contemplates the issue and sale to residents of Georgia of \$300,000 par value of preferred stock, subject to the approval of the Georgia P. S. Commission.

Gulf, Mobile & Ohio RR.

Aug. 23 it was reported company may consider the issuance of about \$25,000,000 bonds later this year. **Proceeds**—To refund first refunding mortgage 4s and 3½s due 1975 and 1969, respectively; collateral trust 3½s due 1968; and New Orleans Great Northern 5s due 1983. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.;

Kuhn, Loeb & Co., Blyth & Co., Inc. and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Shields & Co.

Hilton Hotels Corp.

Oct. 27, Conrad N. Hilton, President, announced that holders of stock of Hotels Statler Co., Inc., will be accorded rights to purchase Hilton securities. **Proceeds**—To pay in part for purchase of Hotels Statler Co., Inc. properties. [See also Statler Hotels Delaware Corp. under "Securities in Registration" above.] **Underwriter**—May be Carl M. Loeb, Rhoades & Co.

Holly Corp., New York.

Sept. 9 S. B. Harris, Jr., President, stated that preliminary financing has been arranged to be followed by a public offering after which this corporation plans to distribute a part of its holdings of Holly Uranium Corp. stock to its stockholders.

Household Finance Corp.

Oct. 7 preferred stockholders approved a proposal to increase the authorized amount of preferred stock (par \$100) from 312,000 shares to 592,000 shares. **Underwriters**—Lee, Higginson Corp. and Kidder, Peabody & Co., both of New York; and William Blair & Co., of Chicago and associates.

Illinois Central RR. (12/15)

Oct. 12 it was reported company plans to issue and sell \$18,000,000 of sinking fund debentures due 1979. **Proceeds**—Together with treasury funds to redeem 372,914 shares of outstanding preferred stock (par \$50). **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly); Morgan Stanley & Co. **Bids**—Expected on Dec. 15.

Kansas City Power & Light Co.

Sept. 15 it was announced that company may sell in the latter part of 1954 or early in 1955 \$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.

*** Kansas City Southern Ry. (11/18)**

Nov. 4 it was announced company plans to issue and sell \$50,000,000 of first mortgage bonds, series C, due Dec. 1, 1984. **Proceeds**—Together, with other funds, will be used to redeem \$37,889,000 of series A 4% bonds and \$13,154,000 of series B 3½% bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Kuhn, Loeb & Co., Ladenburg, Thalmann & Co. and Blyth & Co., Inc. (jointly); White, Weld & Co.; Harriman Ripley & Co. Inc. and Glore, Forgan & Co. (jointly). **Bids**—Expected to be received up to noon (EST) on Nov. 18 at 25 Broad Street, New York 4, N. Y.

Majestic Auto Club, Inc.

Aug. 25 it was announced company plans to offer 500,000 shares (par five cents) to the motorist and general public shortly after completion of the current offering of 100,000 shares to service station owners and operators. **Office**—Room 717, 141 Broadway, New York 6, N. Y.

*** Missouri Natural Gas Co.**

Nov. 8 it was reported early registration of about 110,000 shares of common stock is expected. **Price**—May be around \$8 per share. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

National Starch Products, Inc.

Sept. 28 stockholders approved an authorized issue of 40,000 shares of new preferred stock (par \$100), a part of which may be issued privately to finance a new mid-western plant to produce vinyl resins. **Underwriter**—F. Eberstadt & Co., Inc., New York, handled previous financing.

New England Telephone & Telegraph Co. (12/14)

Oct. 19 it was announced company plans issue and sale of \$30,000,000 debentures due 1988. **Proceeds**—To repay loans and for additions and improvements. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly). **Bids**—Expected to be received on Dec. 14.

New England Telephone & Telegraph Co.

Oct. 19 it was announced company proposes to offer to its stockholders of record March 1, next, 511,205 additional shares of capital stock (par \$100) on a 1-for-5 basis. American Telephone & Telegraph Co., its parent, owns about 69% of presently outstanding shares. **Proceeds**—To repay temporary borrowings. **Underwriter**—None.

*** New York, Chicago & St. Louis RR. (1/10)**

Oct. 28 it was reported company may issue and sell in January, 1955, \$36,000,000 of income debentures. **Proceeds**—To redeem outstanding \$6 preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Union Securities Corp. (jointly); Smith, Barney & Co.; White, Weld & Co.; Kuhn, Loeb & Co. **Bids**—Tentatively expected on Jan. 10.

Pacific Power & Light Co.

Oct. 19 stockholders approved a proposal to authorize 200,000 additional preferred stock of \$100 par value, which are to be sold in series. **Proceeds**—For new construction. **Offering**—Not imminent.

Peninsular Telephone Co.

Oct. 19 stockholders approved proposal to increase authorized preferred stock from 600,000 shares to 1,000,000 shares and the authorized common stock from 1,500,000 to 2,000,000 shares. **Underwriters**—Last financing was handled by Morgan Stanley & Co. and Coggeshall & Hicks. Not imminent.

*** Penn-Texas Corp.**

Oct. 18 authorized capital stock (par \$10) was increased by 1,000,000 shares, of which about 220,000 shares are to be publicly offered. **Price**—From 15% to 25% below the price on the New York Stock Exchange at the time of offering. **Proceeds**—Of the approximately \$3,000,000 which would be obtained, about \$1,000,000 will be used for drilling, exploration and additional purchases under the corporation's uranium program; another \$1,000,000 will be used to finance accounts receivable of a subsidiary and the remainder would be used to develop proven oil reserves, including an expanded drilling program. **Offering**—No definite decision yet made.

*** Pennsylvania Company for Banking and Trusts, Philadelphia, Pa. (12/1)**

Aug. 24 it was announced stockholders will be offered the right to subscribe to 100,000 shares of common stock (par \$10) on the basis of new new share for each 14 shares held as of Nov. 26, 1954; rights to expire on Dec. 23. **Price**—To be named on Dec. 1. **Proceeds**—To increase surplus and capital accounts. **Underwriters**—Drexel & Co., Philadelphia, Pa.; and Merrill Lynch, Pierce, Fenner & Beane and Smith Barney & Co., of New York.

Public Service Co. of Oklahoma

Aug. 28 it was reported that company may issue and sell 75,000 shares of new preferred stock (par \$100). **Underwriter**—To be determined by competitive bidding. Probable bidders: Harriman Ripley & Co. Inc. and Central Republic Co. Inc. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co.; Glore, Forgan & Co.

Public Service Co. of Oklahoma

Sept. 2 it was reported company may sell between \$20,000,000 and \$25,000,000 of first mortgage bonds in January. **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.; Salomon Bros. & Hutzler; The First Boston Corp.; Blyth & Co., Inc., Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); White, Weld & Co.

Savage Industries, Inc., Phoenix, Ariz.

Aug. 9 it was announced company plans later this year to issue and sell an additional block of 75-cent cumulative convertible preferred stock (par \$1); expected to gross around \$250,000. **Proceeds**—For expansion and acquisitions. **Underwriter**—Probably Pacific Coast Securities Co., San Francisco, Calif.

Sheraton Corp. of America

Oct. 15 it was reported company may later issue and sell \$6,000,000 of first mortgage bonds due 1965. **Underwriter**—Paine, Webber, Jackson & Curtis.

*** Tennessee Gas Transmission Co.**

Nov. 9 the company reported it is planning the sale of a new issue of first mortgage pipeline bonds early in December. **Proceeds**—To redeem 3½%, 4% and 4½% bonds and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp. and White, Weld & Co. (jointly); Halsey, Stuart & Co. Inc.

Transcontinental Gas Pipe Line Corp.

March 16 it was reported company plans later this year to do some permanent financing to repay temporary bank loans necessary to pay for new construction estimated to cost about \$11,000,000 for 1954. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

United Dye & Chemical Corp.

Sept. 8 directors authorized an offering to common stockholders of additional common stock at the rate of one new share for each five shares held (with an over-subscription privilege). About 150,000 shares are presently outstanding. **Price**—\$9 per share. **Underwriter**—None.

Utah & Idaho Uranium, Inc., Kellogg, Ida.

Sept. 7 Lester S. Harrison, President, announced that the company contemplates obtaining funds to initiate its uranium mining operations in Utah by the sale to the public of its unissued treasury stock. This financing will follow completion of the company's current drilling program.

Virginia Electric & Power Co.

Nov. 1 it was reported company may issue and sell \$20,000,000 to \$25,000,000 of first mortgage bonds some time next Spring. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; White, Weld & Co.

Western Pacific RR. Co.

Sept. 8, it was announced that directors have approved the issue and sale about Jan. 1, 1955 of \$7,000,000 of first mortgage bonds, series B. **Proceeds**—To reimburse company for capital expenditures already made and for future improvements. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly).

Our Reporter's Report

The investment banking world, and for that matter the banking world in general, is putting in a good deal of its time currently endeavoring to figure what to expect in the way of government refinancing, come the middle of December.

Although it has been the goal of the present administration to get through some long-term financing as means of easing its recurrent burden of rolling over short-term debt, current opinion is that an extended maturity at this time would be a little risky.

This feeling may stem from the fact that bankers have not found the new issue market any too receptive in recent weeks. Meantime they are loaded with municipals which have been coming out in liberal supply, and the "blue list" it is noted, is heavy.

Naturally the tendency is to figure that a long Treasury offering at this time might react unfavorably on the municipal market and to such extent on investment portfolios. Yet experienced people who keep close to the market are not too perturbed.

They contend that while investors may say "no" to some corporate issues shading a 3% yield, they could be expected to react favorably to a long-term Treasury bond providing such a return.

Feeling in some quarters is that the Treasury may feel tempted to try a "package" offer which might embrace one-year, eight-year and 25-year paper for example.

N. Y. Telephones Freed

Bankers who sponsored the offering of \$75,000,000 of New York Telephone Co. bonds brought out three weeks ago, decided to turn that issue loose early this week.

When the syndicate decided to free the bonds, they settled back to a 100 bid 100 1/4 to 3/4 asked basis. Demand was reported brisk at 100, but offerings at that level were said to be extremely light.

Firms who took down their respective participations were evidently disposed to hold the issue for better prices.

Two Large Issues Ahead

Although the immediate calendar appears lean, bankers will be fairly busy with the task of marketing two large issues in the week ahead.

On Tuesday they will be bidding competitively for an issue of \$50,000,000 of Pacific Telephone & Telegraph Co. 35-year debentures which will provide funds for the redemption of a similar amount of outstanding 4s, due in 1984. Two large groups are breasting the tape for this one.

The following Thursday, Kansas City Southern Railway has a \$50,000,000 issue up for bids, also for refunding purposes. Here again two major underwriting groups will be bidding for the business.

Calendar Building Up

While things may be a bit on the slow side until the Treasury's operations are out of the way, the forward calendar shows signs of building up in the corporate field.

Long Island Lighting Co., has gone into registration with the Securities and Exchange Commission to cover a projected offering

of \$15,000,000 of new 30-year first mortgage bonds, set for the first week of December.

Commonwealth Edison Co. (Chicago) has indicated it will be in the market early in January with a long-term sinking fund debenture issue. Details of this operation will be made available during December when the utility plans to file the necessary registration.

DIVIDEND NOTICES

AMERICAN-Standard

PREFERRED DIVIDEND COMMON DIVIDEND

A quarterly dividend of \$1.75 per share on the Preferred Stock has been declared, payable December 1, 1954 to stockholders of record at the close of business on November 19, 1954.

A quarterly dividend of 32 cents per share and a special dividend of 21 cents per share on the Common Stock have been declared, payable December 15, 1954 to stockholders of record at the close of business on November 19, 1954.



AMERICAN RADIATOR & STANDARD
SANITARY CORPORATION
JOHN E. KING
Vice President and Treasurer



ALLIS-CHALMERS MFG. CO.

COMMON DIVIDEND NO. 122

A regular quarterly dividend of one dollar (\$1.00) per share on the issued and outstanding common stock, \$20.00 par value, of this Company has been declared, payable December 22, 1954 to stockholders of record at the close of business November 26, 1954.

3 1/4% PREFERRED DIVIDEND NO. 33

A regular quarterly dividend of eighty-one and one-quarter cents (\$81 1/4) per share on the 3 1/4% Cumulative Convertible Preferred Stock, \$100 par value, of this Company has been declared, payable December 5, 1954 to stockholders of record at the close of business November 22, 1954.

4.08% PREFERRED DIVIDEND NO. 2

A regular quarterly dividend of one dollar and two cents (\$1.02) per share on the 4.08% Cumulative Convertible Preferred Stock, \$100 par value, of this Company has been declared, payable December 5, 1954 to stockholders of record at the close of business November 22, 1954. Transfer books will not be closed. Checks will be mailed.

AV E. HAWKINSON,
Vice President and Secretary,
November 3, 1954

American INVESTMENT COMPANY OF ILLINOIS

96TH CONSECUTIVE DIVIDEND ON COMMON STOCK

The Board of Directors declared a regular quarterly dividend on the Common Stock of 40 cents per share, payable December 1, 1954, to stockholders of record November 15, 1954.

The Directors also declared the regular quarterly dividends on the 5 1/4% Cumulative Prior Preferred Stock, the Series A \$1.25 Convertible Preference Stock and the 4 1/2% Preference Stock, all payable January 1, 1955 to stockholders of record December 15, 1954.

HARRY W. HARTLEY
Treasurer

November 1, 1954

Financing the Consumer through nation-wide subsidiaries—principally:

- Public Loan Corporation
- Domestic Finance Corporation
- Loan Service Corporation
- Ohio Finance Company
- General Public Loan Corporation

With Emerson Cook Co.

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla.—Barker H. Slade has been added to the staff of Emerson Cook Company, 234 South County Road.

Joins W. C. Gibson

CHICAGO, Ill.—Sheldon Spinner has become connected with W. C. Gibson & Co., 231 South La Salle Street.

DIVIDEND NOTICES

DIVIDEND NO. 60

Hudson Bay Mining and Smelting Co., Limited

A Dividend of one dollar (\$1.00) (Canadian) per share has been declared on the Capital Stock of this Company, payable December 15, 1954, to shareholders of record at the close of business on November 15, 1954.

J. F. McCARTHY, Treasurer.

BRUNING

The Board of Directors of Charles Bruning Company, Inc. have declared a regular quarterly dividend of 60c per common share plus an extra dividend of 30c per common share payable December 1, 1954, to holders of record November 15, 1954.

Vincent G. McDonagh,
Secretary

DREWRY'S

A dividend of forty (40) cents per share for the fourth quarter of 1954 has been declared on the common stock, payable December 10, 1954 to stockholders of record at the close of business on November 25, 1954.

Drewrys Limited U. S. A., Inc.
South Bend, Indiana
T. E. JEANNERET,
Secretary and Treasurer



THE DAYTON POWER AND LIGHT COMPANY

DAYTON, OHIO

129th Common Dividend

The Board of Directors has declared a regular quarterly dividend of 50c per share on the Common Stock of the Company, payable on December 1, 1954 to stockholders of record at the close of business on November 16, 1954.

GEORGE SELLERS, Secretary
November 5, 1954

Manufacturers of

AMERICAN ENCAUSTIC TILING COMPANY, INC.

Wall & Floor Tile

COMMON STOCK DIVIDENDS

Declared November 5, 1954

Quarterly—15¢ per share
Extra—10¢ per share

Payable November 30, 1954
Record Date November 23, 1954

America's OLDEST Name in Tile

H. L. Robbins Adds to Staff

WORCESTER, Mass. — Joseph B. Gould has been added to the staff of H. L. Robbins & Co., Inc., 40 Pearl Street.

Joins Bache Co. Staff

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla.—Robert X. de Marcellus has become affiliated with Bache & Co., 271 South County Road.

DIVIDEND NOTICES

LION OIL COMPANY



A regular quarterly dividend of 50¢ per share has been declared on the Capital Stock of this Company, payable December 15, 1954, to stockholders of record November 30, 1954. The stock transfer books will remain open.

E. W. ATKINSON, Treasurer
November 3, 1954.



NORFOLK SOUTHERN RAILWAY COMPANY

Common Dividend

The Board of Directors of Norfolk Southern Railway Company have declared a dividend of thirty cents (30¢) per share on the common stock of said Company, payable on December 15, 1954, to stockholders of record at the close of business December 1, 1954.

CECIL M. SELF, President



PEPPERELL MANUFACTURING COMPANY

Boston, October 29, 1954

DIVIDEND NOTICE

A regular quarterly dividend of Seventy-five Cents (75¢) per share has been declared payable November 15, 1954, to stockholders of record at the close of business November 8, 1954.

Checks will be mailed by the Old Colony Trust Company of Boston, Dividend Disbursing Agents.

PAUL E. CROCKER, Secretary



PACIFIC FINANCE CORPORATION

DIVIDEND NOTICE

A regular quarterly dividend of 50 cents per share on the common stock (\$10 par value), payable December 1, 1954, to stockholders of record November 15, 1954, was declared by the Board of Directors on November 3, 1954.

B. C. REYNOLDS, Secretary

DIVIDEND NOTICES

O'okiep Copper Company Limited

Dividend No. 32

The Board of Directors today declared a dividend of ten shillings per share on the Ordinary Shares of the Company payable November 30, 1954.

The Directors authorized the distribution of the said dividend on December 10, 1954 to the holders of record at the close of business on December 3, 1954 of American shares issued under the terms of the Deposit Agreement dated June 24, 1946. The dividend will amount to approximately \$1.40 per share, subject, however, to any change which may occur in the rate of exchange for South Africa funds prior to November 30, 1954. Union of South Africa non-resident shareholders tax at the rate of 7.2% will be deducted.

By Order of the Board of Directors,
F. A. SCHECK, Secretary,
New York, N. Y., November 4, 1954.

The Singer Manufacturing Company

The Board of Directors has declared a quarterly dividend of fifty cents per share payable on December 13, 1954 to stockholders of record at the close of business on November 15, 1954.

D. H. ALEXANDER, Secretary,
November 3, 1954.



STAUFFER CHEMICAL COMPANY

DIVIDEND NOTICE

The Board of Directors has declared a dividend of 32 1/2¢ per share on the common stock payable December 1, 1954 to stockholders of record at the close of business November 24, 1954.

Christian deDampierre
Treasurer

PHELPS DODGE CORPORATION

The Board of Directors has declared a fourth-quarter dividend of Sixty-five Cents (65¢) per share, payable December 10, 1954 to stockholders of record November 19, 1954; also a year-end extra dividend of Forty Cents (40¢) per share payable January 7, 1955 to stockholders of record December 17, 1954.

This makes total dividends declared in 1954 of Three Dollars (\$3.00) per \$12.50 par value share.

M. W. URQUHART,
Treasurer.

November 4, 1954

Common and Preferred Dividend Notice

October 27, 1954

The Board of Directors of the Company has declared the following quarterly dividends, all payable on Dec. 1, 1954, to stockholders of record at close of business Nov. 5, 1954:

	Amount per Share
Preferred Stock, 5.50% First Preferred Series	\$1.37 1/2
Preferred Stock, 4.75% Convertible Series	\$1.18 1/4
Preferred Stock, 4.50% Convertible Series	\$1.12 1/2
Common Stock	\$0.35

Secretary

TEXAS EASTERN Transmission Corporation
SHREVEPORT, LOUISIANA

Washington . . . And You

Behind-the-Scene Interpretations
from the Nation's Capital

WASHINGTON, D. C. — Perhaps a very special meaning of the Nov. 2 election is that the greater the repertoire of proposals the President places before the 84th Congress, the worse the results will be in terms of extending Federal intervention in business, in welfare programs, and inflation of expenditures.

Observers reach this conclusion by reasoning out what happened in the election.

One of the first consequences of the election is that neither party is in firm control of the Federal Government. Obviously the Republicans do not control the House and even if they should organize the Senate which now looks doubtful, would control it only in a formal sense. The control of committee chairmanships is normally important, but will be less so than in the 83rd Congress, for with Democratic control of the House the initiative which comes over legislation from committee chairmanships in the Senate is heavily circumscribed.

Likewise the Democrats do not control the Congress with their narrow margins, even though they now seem slated to end up organizing the Senate. In such a case formal control would theoretically be of considerable importance, but the Senate lacks decisive Democratic voting strength, and the pulling and hauling among Democrats who will be devoted to stopping Adlai Stevenson and those who will be his Senate partisans will make for a lack of cohesion within the party. In the House, control is by rules naturally tight.

Mr. Eisenhower has the power of veto. This amounts to a "vote" of one-third of the Congress, for it takes a two-thirds vote to override a veto.

Two preliminary conclusions thus develop. It will be exceedingly difficult for all the Democrats in Congress to get together to develop from the Congressional stage a "party alternative," and a clear-cut party alternative to serve as a counter to the Eisenhower program.

Second, neither party may express its separate will to finality.

May Pitch Stand In House

Parenthetically, IF the House Democratic leadership is able, aggressive, and effective, it may come to be the chief instrument upon which the Democratic party will rely both for frustrating the Eisenhower Administration, and for shaping up the alternative "Democratic program" as the party's lure for the voting fishes in 1956.

In 1930 under John N. Garner, the Democrats had this able, aggressive, and effective leadership, and hamstrung Herbert Hoover beautifully. Sam Rayburn has much of the political ability of Jack Garner, but is not as young as he used to be.

One of the mysteries of the 83rd Congress was why the Democrats did not trot out alternative social security and housing programs and dust them off as more expensive alternatives to the corresponding Eisenhower programs of the 83rd Congress, saying loudly, "Mr. Eisenhower, what you have isn't good enough—take this." This is the classical kind

of reaction, but it scarcely appeared in 1954.

Expect Confusion, Little Legislation

The purely orthodox interpretation of the outlook ahead is that there will be indescribable confusion with little accomplished in the way of actual legislation. The Democrats will devote themselves, according to this outlook, to hamstringing the Administration, to investigating it, to generally frustrating the White House and to trying to cut down Mr. Eisenhower.

Certainly this is likely to be the dominant note. There will be investigations, especially if the Democrats organize the Senate, and investigations from which just incidentally Mr. Eisenhower in the course of things may learn something of the gentility of others besides Senator Joe McCarthy when they whiff the scent of political blood. And there will be many attempts to hamstring and block the President, many of them successful, and there will be great noise and confusion.

Will Go For Welfare

On the other hand, the performance of the 83rd Congress sets up a shade of doubt that the legislative results of the 84th Congress may be small, for certain.

As was reported in this column last week, Mr. Eisenhower in his address to the National Security Industrial Association, indicated that while he expressed an interest in reducing Federal expenses and taxes, he was also vitally interested in a considerable range of spending and welfare programs.

In particular the President spoke of bringing about an expanded national production of \$150 billion annually to be achieved over a decade, the prevention of anxiety and personal distress, the improvement of the social security and unemployment systems, the need for better schools, a big highway construction program, and the development of water power and soil conservation in the great river valleys—all projects reminiscent of the Truman Administration.

In theory an opposition in a position to check an Administration is not concerned with immediate legislative achievements along the lines of its alleged party doctrine. Instead it gleefully takes advantage of its power to show up the President and his Administration as futile and accomplishing little or nothing. The accomplishments are purposely postponed by the opposition until the day they come into power.

This did not happen in 1954's session, and 1955 could possibly be different or not. Whereas the Democrats had an elaborate social security program with a more bountiful scale of benefits and the gadget of disability insurance, they scarcely mentioned it. When the Eisenhower Administration brought out its elaborately inflationary Housing Act of 1954, the Democrats did not trot out their "middle income housing bill" as a gilt and shining alternative, but only fussed over the amount of public housing.

What happened in 1954 was that enough Democrats thought that Eisenhower's social security, housing, and other welfare

programs were good enough so that they didn't dare vote against them, and could cite their support of them as arguments in support of their own campaigns for re-election.

May Amend Ike's Proposals

So if Mr. Eisenhower trots out the whole repertoire of welfare and spending programs unfinished from 1954, or the specific projects he mentioned in his address before the National Security Industrial Association, he may find that instead of being buried and saved for action by an intended later Democratic government, that many of them will get on the statute books.

But not before they are amended, however, and are liberalized.

This can be illustrated. As to "health insurance" the President proposed an "reinsurance" scheme which initially would supposedly cost only \$25 millions, but obviously would expand in later years. There is every reason to suppose this will be advanced in 1955. Without control of Congress, however, the President probably would see this program amended to move much more rapidly toward full compulsory health insurance.

The President expects to propose a \$50-billion roads program. It is suspected that the Administration would like to get this scheme legislated and then turn it on or hold it down according to what it saw as the

business prospects, accelerating spending if it feared unemployment.

When the Congress gets a hold of it, however, in all likelihood it will be approved with the idea that it go immediately forward full blast.

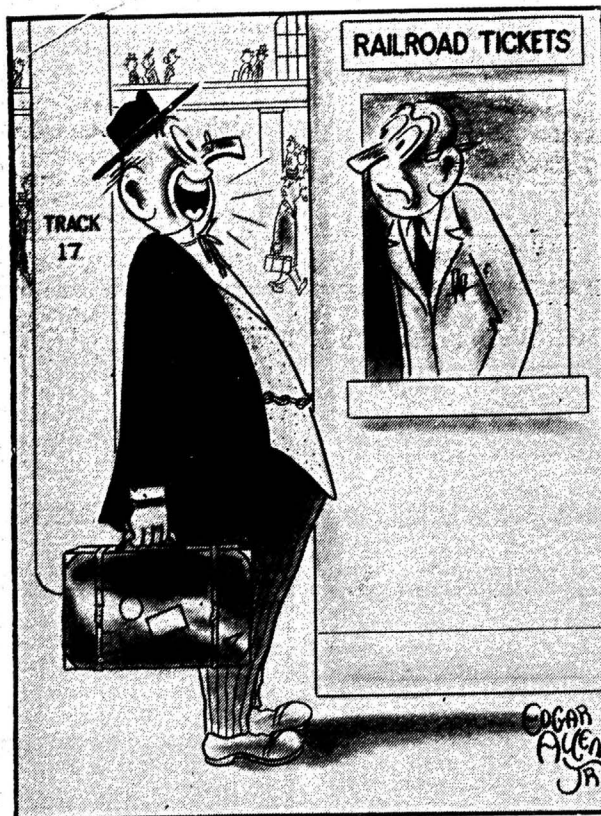
Some Uncertainties

At this stage it is not known whether Mr. Eisenhower will sense this situation, and toss as few bones as possible to the enemy to tear apart. It is not known whether the Democrats will revert to the classical, and seek merely to stop everything possible and save its legislative mastication until 1957, when the Democrats will hope they will be around to take credit.

On the other hand, the experience for 1954 is not too sanguine to guarantee that in 1955 Congress, although uncontrolled by the White House and sharply divided between the parties, will fail to pass much expensive legislation. In 1954 Mr. Eisenhower was advised by certain key leaders to take it easy, develop a limited program for the record, at the "legislative conferences" before Christmas 1954. Mr. Eisenhower disregarded this advice, and some of those who advised him thusly in 1954 will not be around to give such advice in 1955, because they have been retired from the scene.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



"I've just been elected to Congress—can you tell me where I get that gray train I've heard so much about?"

Business Man's Bookshelf

Capital and Output Trends in the Mining Industries 1870-1948 — Israel Borenstein — National Bureau of Economic Research, Inc., 261 Madison Avenue, New York 16, N. Y. (paper), \$1.00.

Company Experience With the Employment of Negroes — selected references—Industrial Relations Section, Princeton University, Princeton, N. J. (paper), 20c.

Contributions of Survey Methods to Economics — edited by Lawrence R. Klein—Columbia University Press, New York 27, N. Y. \$5.00.

Foreign Exchange Regulations in Great Britain—Supplement 10—Bank for International Settlements, Basle, Switzerland (paper).

How to Invest Wisely—Stanley D. Ryals and E. C. Harwood—Arco Publishing Company, Inc., 480 Lexington Avenue, New York 17, N. Y. (cloth), \$2.00.

Liberia — illustrated brochure — Edward K. Moss, 1025 Connecticut Avenue, N. W., Washington 6, D. C. (paper).

Montgomery's Federal Taxes (35th Edition) — The Ronald Press Company, 15 East 26th Street, New York 10, N. Y. (cloth), \$15.00.

Utah Secs. Co. Opens

SALT LAKE CITY, Utah—Utah Securities Company is engaging in a securities business from offices in the Ness Building, J. Karl Maxwell is a principal of the firm.

Now Coombs of Wash, D. C.

WASHINGTON, D. C. — The firm name of Atlantic Associates Brokers & Dealers, 1424 K Street, N.W. has been changed to Coombs & Company of Washington, D. C.

Now Kahlmus, Smith & Co.

MERIDIAN, Miss. — The firm name of Kahlmus & Co., 2304 Fourth Street, has been changed to Kahlmus, Smith & Co.

A. W. Egbert Co. Opens

OGDEN, Utah — Allan W. Egbert is engaging in a securities business from offices at 2306 Iowa Avenue under the firm name of Allan W. Egbert Company.

We have available copies of
an Analysis of

RIVERSIDE CEMENT CLASS B COMMON STOCK

recently prepared by

THE OVER-THE-COUNTER SPECIAL SITUATIONS SERVICE

This analysis shows why this stock offers an excellent opportunity for capital gains.

A copy will be sent on request.

LERNER & CO.

Investment Securities

10 Post Office Square, Boston 9, Mass.

Telephone HUBBARD 2-1990
Teletype BS 69

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