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EDITORIAL

As We See It

Several developments in various parts of the world currently are reminding us of the wide differences in the economic fortunes of the sundry peoples of the world, and of the very real problems engendered thereby. The "atoms for peace" movement in United Nations circles seems to have raised hopes (we should suppose unfortunately) among the political leaders of more than one backward country that some sort of semi-millenium might be in the making for their peoples. These rather obviously vain hopes seem to underscore the yearning among the so-called underdog groups for a better plane of living and their apparent demand that it somehow be brought to them by other peoples.

The Inter-American financial conference now under way in Brazil is already yielding the impression that the political leaders of the Latin American world are quite dissatisfied with the net product of Point Four to date and, for that matter, of all the other aid that has been extended them chiefly by the United States. They seem not only to want more money, but to insist that it be handed to them on a silver platter with no conditions attached. Among these conferees there is apparent a strange admixture of national pride and defiant panhandling. Word from the Far East, particularly the region of Indo-China, makes it plain as a pikestaff that the Communists have not left off fishing in troubled waters in that part of the world. There is, of course, no reason to sup-

Continued on page 28

Impact of Government's Role In the Housing Market

By JOHN R. WHITE*
Adjunct Assistant Professor, New York University

Presenting a two-fold thesis, namely: (1) that the public has succumbed to the paternalistic concept that it is a government responsibility to provide housing, and (2) the control of housing has been seized upon as a means of sustaining the national economy, Professor White reviews history of Federal housing legislation and administration. Asserts governmental intervention has artificialized the demand and supply of housing, making these factors dependent on credit terms and thus influencing price determination.

Twenty historic years have passed since the FHA was created in the trough of a frightening depression. In their own way, both yesteryear's date, 1934, and today's date, 1954, have a vast significance in a comprehension of the Federal Government's participation in the field of private housing. Indeed, it is questionable whether the original proponents of the FHA either recognized or foresaw the growth and power, or the ultimate change in purpose, of this agency. However cynical it may seem, it is difficult to see any other than ulterior, political motives in many sections of the Housing Act of 1954. Yes, a vast change has been wrought in the basic philosophy of government and of the people in their attitudes toward housing.


John R. White

Upon close examination, this change has not been a subtle one. It has not been necessary for us to inquire behind the scenes or to ascribe wild or insupportable motives to governmental housing legislation or to its advocates. With pile-driving impact, the legislative and administrative record provides informative and conclu-

Continued on page 36

*An address by Professor White before the Annual Convention of the Savings and Loan League of Ohio, Columbus, Ohio.

Trade Assistance Program Of the Export-Import Bank

By HAWTHORNE AREY*
Director, Export-Import Bank, Washington, D. C.

After reviewing the history of the Export-Import Bank, Mr. Arey describes the present situation with reference to the operations of the institution. Says Bank's management directs assistance only to those projects which enable an importing nation to earn and save dollars in order to effectuate mutual trade. Points out immediate problem is to offer effective assistance to the U. S. exporter in developing markets abroad, but stresses Bank's credit can be used more effectively to supplement available private credit. Holds Bank's operations should not discourage use of private capital in export trade.

At its Twentieth Convention, in 1933, the National Foreign Trade Council proposed the creation by the Government of an institution to assist in financing foreign trade and to provide facilities comparable to those provided by other countries for their nationals. At its Twenty-first Convention, held in this city in 1934, the Final Declaration commended the establishment of the Export-Import Bank "to facilitate the financing of trade which normally lies outside the scope of the operations of commercial banks, through the extension of credits and long-term financing in cooperation, and not in competition, with commercial banks."


Hawthorne Arey

One of the first loans authorized by the Bank after its organization was negotiated by representatives of the National Foreign Trade Council and had for its purpose the funding of blocked dollar balances accrued on commercial accounts. During all the intervening years the Bank has been favored and

Continued on page 30

*An address by Director Arey before the International Finance Session of the 41st Convention of the National Foreign Trade Council, New York City, Nov. 15, 1954.

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 41.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Plough, Inc.—N. James Douglas, Security Analyst, Clark Landstreet & Kirkpatrick, Inc., Nashville, Tenn. (Page 2)

International Nickel Co. of Canada Ltd. — Charles King, Partner, Charles King & Co., New York City. (Page 2)

N. JAMES DOUGLAS
Security Analyst,
Clark, Landstreet & Kirkpatrick, Inc.,
Nashville, Tenn.

Plough, Inc.

This proprietary drug manufacturer's sales are estimated at $20 million for 1954, the ninth consecutive year they have increased. This figure means a gain of almost 100% since 1946. Plough, Inc has not operated at a deficit in any year since the corporate form of organization was adopted in 1918. Dividends have been paid without interruption for 23 years. Last year's earnings of $1.30 a share will be slightly exceeded this year. Because of a good cash position and heavy cash flow the $0.60 annual dividend seems to be in line for an early increase to $0.75 or $0.80.

N. James Douglas

Plough common, listed on the New York Stock Exchange, is currently quoted at 17¾. This compares with its postwar low of 8¾ in 1949 and to a high of 25⅝ registered in 1946. In my opinion investors who buy value rather than popularity will find few equities in today's market to match it.

Plough drugs, cosmetics and household necessities line the shelves of most of the drugstores in America. Among the 75 or so packaged items made by this company are St. Joseph Aspirin (including a flavored aspirin for children), Mexana Skin Cream and Medicated Powder, Penetrol Rub and Nose Drops, Ever-Ready Oil and others. Early this year Plough purchased all rights to manufacture and sell Mistol, a nose drop, and Nujol, the world's largest selling brand name mineral oil, from Esso Standard Oil Company.

The company's research department has come up with a number of products that now contribute substantially to profits. Plough pioneered flavored aspirin for children and infants, and its St. Joseph brand leads all competitors in this particular field. A nose drop solution and a cough syrup designed especially for children also came from the company's research. Just a couple of months ago a nose spray packaged in plastic squeeze bottles was introduced under the name Mistol Mist. Sales of the latter item in particular have been very gratifying.

Supplying diversification to the basic drug manufacturing business, Plough operates a wholesale liquor distribution business, owns six retail drug stores in Memphis, Tennessee, distributes drugs which do not compete with its own lines and owns two radio stations, WMPS in Memphis and WJJD in Chicago. Application is pending for a television station in Memphis.

This concern traces its history back to 1908 when 16-year old Abe Plough borrowed $125 and started compounding Plough's Antiseptic Healing Oil in a room above his father's furniture store in Memphis. Today over 100 million packages of its products are manufactured and sold annually in all 48 states and 57 foreign countries.

In 1951 operations were moved from eight scattered buildings to a large new plant in Memphis. Start-up expenses, heavy advertising expenditures in connection with new products and a self-imposed stringent depreciation policy prevented the resulting manufacturing economies from being translated immediately into a sharp jump in profits.

With an eye to future expansion the plant was built with surplus capacity. Therefore a substantial increase in sales volume would require little additional capital outlay and only a small increase in labor costs and overhead expenses. It seems likely, then, that a substantial expansion of sales will result in an even larger expansion, percentagewise, in profits.

Will this sales increase materialize? It could come in three ways: (1) aggressive advertising and selling of present products; (2) development of new products through research; and (3) acquisition of brand names from other companies. Management expects to use all three. Obviously the third method could result in the fastest sales increase and Plough is understood to be studying some possible acquisitions now.

Net income in 1954 is expected to surpass last year's $1.30 a share by $0.05 to $0.10 despite an increase in depreciation charges to $0.90 a share from $0.72 in 1953. (Plough probably uses higher depreciation rates than any of its publicly-owned competitors.) The $0.60 annual dividend represents a payout of only 46.2% of last year's net and only 29.7% of cash flow (earnings plus depreciation)

Based upon the trend of earnings and cash generation, there seems to be a good possibility of a dividend increase early next year to $0.75 or $0.80 a share. In my opinion the only reason the dividend has not been increased in recent years is that Plough management has always been highly conservative in this respect and would not consider a higher rate unless convinced it could be maintained under almost any foreseeable conditions.

Management is very stockholder conscious. Officers and directors own more than 23% of the outstanding 500,000 shares. All key employees, department heads, etc., are stockholders and a newly created stock purchase plan has resulted in many other employees acquiring shares.

CHARLES KING
Charles King & Co., New York City
Members: Toronto, Montreal and Canadian Stock Exchanges
Also American Stock Exchange

International Nickel Company of Canada, Ltd.

International Nickel Company of Canada, Ltd. (INCO), one of the great mining enterprises in Canada, appears to be entering a new era in its long and successful history. A change-over from a part-surface, part-underground operation to a complete underground operation will have been achieved when the Frood open pit finally runs out. With a production capacity of 60,000 tons of ore per day, this colossus of mining, already known as the world's largest non-ferrous underground operation, is steadily strengthening its commanding position. Along with the far-sighted policy to go completely underground and modernize all facilities and operations, an aggressive policy has been adopted in recent years in the development of by-products and in outside geological exploration in various parts of the world.

Charles King

INCO is the largest producer of nickel in the world; it ranks fifth in copper production (first in the British Empire), and is a leading producer of platinum metals. A record of 251,417,000 pounds of nickel was delivered in 1953, and for 1954 the amount will probably be about 275,000,000 pounds. Copper deliveries were 234,349,000 pounds; platinum metals 270,562 ounces; gold and silver 38,410 and 1,106,733 ounces respectively.

The demand for nickel continues without abatement, and the company may be called upon to intensify its already huge effort. A United States Government stock pile contract, entered into on May 30, 1953, calls for the delivery of a total of 120,000,000 pounds of nickel and 100,000 pounds of refined copper by 1958. Under this contract, an allowance for additional costs is to be added to the market price for nickel. This will permit the company to mine and treat over a period of years 10,000,000 tons of underground ores which are not economic at current market price and will not interfere with the company's regular supply of nickel for military and civilian purposes. The company's scheduled nickel production during this period is estimated at 1,380,000,000 pounds of nickel, an increase of 325,000,000 pounds over deliveries for the four years, 1945 to 1949.

Military and atomic energy programs continue to absorb large amounts of nickel and stainless steels, while commercial users are still far short of their needs. An expanding market is foreseen from the aircraft industry for jet aircraft, and in industry generally as a result of the anticipated adoption of the gas turbine for many industrial purposes. The jet age calls for materials with great combinations of strength, ductility, and heat resistance. Alloys containing nickel have met these stringent requirements. Virtually all of the special alloys developed for airplane gas turbines or jet engines in recent years contain nickel in varying amounts. Jet engines and gas turbines need two or three times as much nickel per engine as is ordinarily found in the largest piston engines for aircraft. Nickel alloys have the high temperature properties required by the jet aircraft and other industries.

Cobalt, which the company is producing in increasing amounts, through improvements in refining techniques, is finding large use

Continued on page 15

The Market Ahead

By SIDNEY B. LURIE*
Industrial and Market Analyst, Paine, Webber, Jackson & Curtis
Members N. Y. Stock Exchange

Analyst offers as elements of New Era America and stock market: population growth; redistribution of income to new middle class; scientific management, and intensified government intervention. Expects 1955 business to be better than now expected. As favorably situated industries, Mr. Lurie suggests steel, building, textile, and some specialties.

Doctors and analysts have a great deal in common. For one thing, we both are diagnosticians; you of the human body — we of the nation's financial health. Secondly, like medicine, analysis is an inexact science — one where the qualitative factors can be more important than the quantitative factors. Thirdly, as in medicine, the ability to arrive at the proper analytical conclusion depends more on judgment —"feel" or intuitive sense—than the obvious yardsticks. I'm sure you'll agree that it takes more than academic proficiency to be a good doctor, that no one is infallible.


Sidney B. Lurie

Recent weeks have demonstrated the soundness of an important fundamental which is often overlooked: we are in an amazing era and these are the "Fabulous Fifties." True, the fact that the market rallied after elections reflects other fundamentals too. For example, once an uncertainty becomes an established fact, it no longer has market significance. In other words, it takes a surprise to make a new market trend. And the rewards only go to the risk takers. But the post-election scramble for stocks could not have developed without the resiliency which is a special characteristic of this period. 1954 is like an extremely healthy patient who is quickly able to throw off infections. Our secret weapon — our new, miracle anti-biotic — is the fact that this is a New Era. A healthier and stronger America—and stock market—than ever before has come into being. Let's examine the reasons why.

(1) Population has grown by some 40 million people, or one-third since 1929—and this obviously means bigger markets for industry to serve. The 11 million population gain since 1950 spells a new market bigger than the State of California. The best is yet to come—for the full impact of war time births will come in the late 1950's and early 1960's. Equally important, our population complexion is changing with a larger percentage of youngsters and oldsters. This spells a tight labor market. Further, the national shift to the suburbs and to new areas of the country opens additional new markets.

(2) Our national income has been redistributed since 1929 and a tremendous new "middle class" created. Today's "rich" are the people who proportionately spend the most of their income. Further, the income upgrading has been accompanied by new leisure for the masses — better and higher standards of living. To illustrate the impact of these changes, more home owners than ever before spells a tremendous "do-it-yourself" market. The shorter work week spells more travel—which in turn intensifies the need for cars, gasoline, tires, etc.

(3) The new generation in industry — the development of the professional manager — injects a stabilizing element that did not exist when management was intuitive rather than scientific. For example: In the past, capital expenditures were cutback sharply whenever profits declined and thereby accentuated a business downtrend. Now, however, capital expenditures are planned on a long range basis which almost ignores short-term business changes. Secondly, in the past, research was on a "hit or miss" basis and on a small scale. Now, every well managed company knows that the key to new markets is new products via research. The whole creative cycle has been stepped up.

(4) This is an era of managed economy—one where the Government takes an aggressive interest in the nation's well-being, and is not a passive observer as in the 1920's. In effect, the Administration in power has a vested interest in maintaining prosperity and has become one of the important contributors. Economically and militarily, the United States today is the most important nation in the world; and this means high expenditures.

A New Norm

Net of the foregoing is that there is a new higher "normal" of demand which has turned the business declines of the post-war years into "recessions" rather than a "depression." We've seen piece meal, individual industry readjustments—but not on an all-embracing downward spiral. In my opinion, we do not face another 1929—partly because of the tremendous business recovery now occuring throughout the world. Note the bull markets in England and Western Germany.

This background is another way of saying that it's been unrealistic **NOT** to own stocks. Does this mean stocks should be bought now? To generalize, the price rise since September 1953 in itself suggests that the factors which con-

Continued on page 29

*A talk by Mr. Lurie before the North Shore Medical Society, Lynn, Mass., Nov. 10, 1954.

INDEX

Articles and News Page

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Moly's Minerals

By IRA U. COBLEIGH

Enterprise Economist

A swift look at the mineral processing and extraction activities of Molybdenum Corporation of America; with some related notes on rare earths and radioactivity.

Ira U. Cobleigh

A company with rather a tradition for the wide range of market performance of its shares on the American Stock Exchange is Molybdenum Corporation of America, known to board room "aficionados" as MOLY. The speculative nature of this equity may be illustrated by the fact that MOLY has, in the past decade, sold as low as 6 and as high as 80. It's 40 right now. Now don't misunderstand me—there's nothing wrong with a little volatility in a marketable security, and mineral and metal issues have historically proved quite sensitive to the finding, or absence of, major new ore bodies or mineralized areas; and to the development of new metallurgical processes. So it has been with MOLY; but right now there are some quite dramatic company developments which, it would seem, market followers should be informed about. We'll take them up, as in the "dramatic personae" of a playbill—that is, in the order of their appearance.

Originally, as its poly-syllabic name indicates, it was a processor of molybdenum ores. It still is and in that field it ranks second in the United States today. It is also the largest American processor of tungsten. Both of these items, as you doubtless know, are vital ingredients in the manufacture of certain kinds of steel; and, as alloys, add special qualities of strength, resistance and durability. In the main MOLY has been a processor, getting its raw ores from others and turning out tungsten and molybdenum alloys at plants in Washington and York, Pa. Production and sale of these alloys has been the traditional principal source of company earnings but in the past three years something new has been added—a fabulous Rare Earths mine.

Most people don't have the slightest idea what Rare Earths are, so we'd better explain by quoting the definition of Mr. Marx Hirsch, President, and Board Chairman, of MOLY: "Rare Earths are a mixture of 15 metals which occur together in nature, the most common of these being cerium and lanthanum." MOLY first became interested in Rare Earths back in 1916; but they lived up to their billing—they were indeed rare and remote, found mostly in the Monazite sands of Brazil and India. In 1951 the company located this magic stuff at Mountain Pass, California. It acquired extensive property there which has proved to be the largest source of Rare Earths anywhere, with estimated reserve tonnages capable of producing three billion pounds of Rare Earths Compounds.

"Now," you say, "MOLY has Rare Earths, but what are they used for?" Well, probably you've used them hundreds of times yourself, for they're an indispensable element (Misch metal) in the flint in your cigaret lighter. More important, however, is their processing (under MOLY patents) into Rare Earths Compound, a valuable additive to most kinds of steel. They increase workability, and fluidity and lower the sulphur content in steel. While first used to improve the roll and reduce imperfections in Stainless Steel, Rare Earths Compounds are now being applied to lower priced alloy and carbon steel with noticeable success. It has been estimated that 40,000,000 tons of the steel now being produced annually, would derive economic benefit by the addition of 1½ to 2 pounds of Compound per ton. To enter this vast market, MOLY reduced the price of its Compound from $3 to $1.50 per pound last January, and down to $1 a pound quite recently. Sales have advanced correspondingly, and for 1955 Rare Earths should open up new and extensive vistas for enlarged profit. The company possesses a huge deposit of the base material, and with continued research, increased acceptance by the steel industry, and stepped up production, there is some reason to expect significant gains in per share net from this division.

Whenever mineral or metal enterprises are discussed these days, someone always asks, "Does the company have any uranium possibilities?" Well, Molybdenum Corporation does—and some very interesting ones at that. Near the St. Lawrence River, about 43 miles southwest of Montreal, MOLY owns some land and has, this year, acquired options on about 8,000 additional acres in a section called OKa. (There's a cheese named after this place.) Geological probing reveals that, within this swath of land, there lies an old volcano crater, about 20,000 feet across one way, and 7,000 feet transversely. This whole area virtually vibrates with radioactivity. Trenching at first, and more recently diamond drilling, have disclosed extensive occurences of uranium, thorium, columbium, tantalum and iron. Drilling has further indicated that mineralized ore continues down from the surface, in some tests, to 350 feet. Some samples have suggested a realization of $25 per ton in columbium—tantalum oxide, and the company is continuing its exploration for enriched areas—ores that might run up to $75 a ton, and thus require a much smaller mill to process them. This acreage also is believed to contain millions of tons of good grade iron ore—and it's much handier to the steel mills than Labrador.

So you see any way you look at it, Molybdenum has some quite dramatic future prospects in these Canadian holdings. If you seek stock entry into atomic materials through an established company, MOLY has something to offer. Much development work needs to be done here before production can begin, or accurate valuation of ore bodies calculated; but the possession of a whole crater speckled with mineralized and radioactive ores is no mean asset.

On the corporate and financial side, Molybdenum is an old and respected company (incorporated in Delaware in 1920). Its talented management is headed by the aforementioned Mr. Hirsch. Mines and claims are in New Mexico, Colorado, Utah and California as well as in Canada and molybdenum reserves are estimated at around 13 million tons of 5% ore. All these assets are most conservatively stated on the balance sheet.

Sales for 1954 should be the largest in company history, crossing the $24 million mark for the first time; and net per share should record some gain over the $1.16 earned in 1953. Dividends have been paid in each year since 1940, with the current rate, $1, paid in 1952 and 1953. There was a 10% stock dividend in 1951.

Balance sheet (1953 year-end) showed net working capital of $4 million, and $600,000 in serial bank loans due 1955-7. Common stock, listed on American Stock Exchange, is outstanding in the amount of 637,523 shares.

For those share buyers seeking attractive dividend yield, and market stability, MOLY will hardly fill the bill. But for the patient, and the somewhat more speculatively minded, Molybdenum Corporation stock holds considerable allure. The standard output, molybdenum and tungsten, can expand; while the newer fields of corporate activity, Rare Earths in California, and radioactive ores at OKa, broaden the horizons for future earnings, and suggest bullish manifestation in share prices. MOLY's Minerals are present in an unusually assorted variety, and it will be interesting to observe how they may be translated into shareholder benefits.

$214 Million Oklahoma Turnpike Bonds Scheduled to Be Offered About Dec. 8

Ten New York investment houses, led by First Boston Corporation, in association with number of Oklahoma firms, to manage nationwide underwriting group. Information meetings to be held in Chicago and New York City.

A nationwide underwriting group has been formed to offer approximately $214,000,000 turnpike revenue bonds of the Oklahoma Turnpike Authority, maturing serially from 1962 to 1993. The contemplated offering, expected to be made around Dec. 8, will comprise three separate bond issues to provide funds for the construction of a like number of toll roads aggregating over 300 miles in length.

The issues consist of $68,000,000 of bonds for the Northeastern Turnpike extending from a point near Tulsa to the Oklahoma-Missouri State line near Joplin, Mo.; $83,000,000 of bonds for the Southwestern Turnpike extending from a point near Oklahoma City to the Oklahoma-Texas State line near Wichita Falls, Texas; and $63,000,000 of bonds for the Northern Turnpike extending from the terminus of the existing Turner Turnpike near Oklahoma City to the Oklahoma-Kansas State line near Wichita, Kansas.

Ten New York investment houses, in association with a number of Oklahoma firms, will jointly manage the underwriting group.

Information meetings in connection with the proposed financing will be held in Chicago on Nov. 29 at 10:30 a.m. at the Continental Illinois Bank and in New York City at 2 p.m. on Nov. 30 in the Great Hall of the Chamber of Commerce Building.

New York managers of the underwriting group are: The First Boston Corporation; Drexel & Co.; Glore, Forgan & Co.; Shields & Company; Allen & Company; Eastman, Dillon & Co.; Goldman, Sachs & Co.; Lehman Brothers; B. J. Van Ingen & Co., Inc.; White, Weld & Co.

Jamieson Adds Two

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — James Kyle and James L. Osborne, Jr. have become associated with H. L. Jamieson Co., Inc., Russ Building. Mr. Kyle was formerly divisional manager in Eugene, Ore. for Investors Diversified Services. Mr. Osborne was with Reynolds & Co.

The State of Trade and Industry

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

A slight gain was noted in the Fall recovery in total industrial production in the period ended on Wednesday of last week. However, compared with the similar period a year ago total output was about 1% lower.

There was a general improvement in reports on unemployment last week. Four per cent of the nation's insured workers, slightly fewer than a month ago, were receiving unemployment benefits; Kentucky and West Virginia were the only states having more than 7% in this category. Continued claims for such benefits in the week ended Oct. 30 dropped by more than 23,000 persons, with the total being 2% lower than the prior week. Initial claims in the week ended Nov. 6 increased by about 11,000 persons, and the total was 4% higher than the preceding week but 6% lower than a year ago.

In the period ended Nov. 13, idle workers' new claims for jobless pay dropped to 247,100, off 19,300 from the preceding week. The total compared with a 1954 high of 468,800 in the week ended Jan. 9. A year earlier new claims amounted to 274,000.

Steel business looks better this week than it has at any time during the past year, states "The Iron Age," national metalworking weekly. Setting forth its basis for this contention, it points out that the industry is operating at 80% of rated capacity; new orders are coming in at an extremely fast clip; order backlogs are growing rapidly, causing deliveries on most products to become more extended and cancellation is practically a forgotten word. Continuing, it notes strong recovery is now being felt in nearly all finished steel products.

The far-reaching extent of the recovery is indicated by recent sharp improvement in demand for hot-rolled carbon bars. Improvement in this product is important because it had been lagging badly and it is widely used in many types of products manufactured from steel.

Plate sales are getting a strong lift from the construction equipment industry which is looking ahead to highway construction needs for next year, while woven wire fabric, which was already selling very well, is moving on more extended delivery.

Hotbeds of demand, it declares, are along the great steel consuming axis of Chicago-Detroit. Automotive firms are spurring demand in the Detroit area as auto companies gear production schedules up to record levels for November and December.

Strong appetite for steel in the Chicago area is being reflected from many sources, this trade authority asserts. Farm equipment buying is much stronger than had been anticipated. So is demand from appliance manufacturers and stampers. Automotive steel is also going like hotcakes in this area.

Neither steel producers nor very large consumers appear to be worried about a shortage of cold-rolled sheets. But their confidence is not reflected by medium-sized and small consumers who are attempting to place orders far in advance of actual needs.

Mills have adopted an informal system of allocating sheets to their customers. In many cases space is being held open on the order books to take care of large customers whose needs can be fairly well anticipated although they are relatively slow in making firm commitments for tonnage, concludes "The Iron Age."

Domestic vehicle production reached a 65-week peak last week as 13 car makers and nine truck builders boosted programming.

"Ward's Automotive Reports" estimated the Nov. 15-20 turnout at 152,886 cars and trucks or 11% more than in the previous work period of 137,781 units and 47% above the same week a year ago of 104,231 units.

The statistical agency noted that it was the fifth-straight upturn in weekly car and truck volumes and marked the best industry output since the week of Aug. 22, 1953, when 155,722 cars and trucks were built. This week's total will show a decline due to Thanksgiving. Most producers will be in action the Friday after the holiday.

The strongest upsurge in assembly last week was at Ford Motor Co. as all plants scheduled Saturday work. Ford Division was looking for a new postwar high in weekly car volume, reflecting the end of changeover problems and renewed emphasis on the battle for production and sales.

Elsewhere, states "Ward's," various Chrysler Divisions, Studebaker and some General Motors plants were putting in overtime and Saturday stints. Plymouth output was expected to reach a new high for the year the past week. In addition, Packard returned to production last week. Hudson and Kaiser were down all week.

The heavy schedules at Ford, it states, gave the company 28.5% of the week's car volume, against a 25.6% share the week previous. All other manufacturers took smaller slices of industry scheduling, despite increased programs. General Motors accounted for 50.3% of car production last week, Chrysler Corp. 17.4% and the Independents 3.8%.

Car assembly was up 12% last week from the week earlier, while truck erecting also showed a 6% rise.

However, to date in 1954 car and truck totals are down 17.1% and 16.6%, respectively, from a year ago. United States factories have turned out approximately 4,698,157 cars and 904,603 trucks this year, compared to 5,666,719 and 1,084,754 in the same span of 1953.

Canadian plants showed a 24% gain in vehicle construction the past week as an estimated 4,195 cars and trucks were built, against 3,373 a week ago.

October witnessed the launching of 9,852 new stock corpora-

Continued on page 33

Observations . . .

By A. WILFRED MAY

CORPORATE DEMOCRACY IN ACTION

Wooing the Montgomery Ward Stockholder

The 68,000 far flung Montgomery Ward stockholders will shortly be promised by the insurgent Louis Wolfson that success in his battle for management control would bring them such advantages as: bigger dividends; a three-for-one stock split; segregation of the company's land, buildings, fixtures and equipment, at their depreciated value of $32 million, plus $18 million cash, and its *spin-off* from the parent company which would hold the large liquid assets and enter into leases yielding the spun-off unit from 10 to 15%; merchandising revival, with the opening of at least 25 new stores annually and the not far distant doubling of sales volume; with the established availability of a $200 million borrowing line from an insurance company, when and if it should be needed for such expansion.

A. Wilfred May

These and other juicy fruits of a Wolfson proxy victory will be explained by him in a grand "whistlestop" electioneering tour using hired meeting halls in 40 cities from coast-to-coast.

Presumably the incumbent Sewell Avery will not accept the challenge to a Lincoln-Douglas type of debate on this circuit; but, taciturn though he may usually be, he issued word to his newly wooed stockholders last week that the company is planning to close a goodly number of the smaller retail stores by the end of the year as part of a general efficiency program of concentrating on larger and more profitable units. And coincident with Mr. Avery's hiring of an outside public relations firm, he charges that the efforts of his opposition constitute "a menace to the United States," and the work of "raiding parties" (not stockholder *rescue* parties).

Additionally in-the-act for stockholder excitement are Fred M. Saigh, St. Louis businessman and former owner of the Cardinals baseball team; and also a potentially active moneyed group in the retail field holding an aggregate of 200,000 shares—both of these acting on the "plague-on-both-your-houses" principle. For good measure, Hanns Dittisheim has in some press quarters been falsely credited with heading still another group representing important foreign interests (actually non-existent).

Such are some facets of the impact upon the shareholder emanating from present-day American corporate democracy at work, in its attempt to unearth value.

Toward the Fund's Decision

Presumably the Opposition will employ the time before the Ward meeting next April to elaborate its specific plans. Along with the promise of higher dividends, popular, according to the mail coming in from the smaller stockholders, must come information about the identity of the new high executives, and specific financial as well as merchandising policies, including the use of the present excess of working capital.

Harry Prankard, 2nd

Substantiating the importance of specification by the opposition in the Montgomery Ward controversy is the following explanation of his policy given to this writer by Harry I. Prankard, President of Affiliated Fund and of American Business Shares, the key funds owning the largest blocks of stock: "Our policy is not to disclose our intentions, or even definitely to make up our minds until the day of the annual meeting; until we have had time to study all the proposals, including those that come up at the last minute—all under the assumption that it is the fund's duty to vote their stock one way or the other."

The Funds and Corporate Controversy

Incidentally, while most Fund managements now recognize the obligation to vote their stock, they generally feel it best to desist from a publicized reaction to the merits of a company controversy (excepting where dishonesty may be involved). This attitude, embracing the *"if you don't like it, sell your stock"* philosophy, seems to be prompted mainly by the following factors: (1) Distaste for displeasing their Fund's shareholders who may disagree with their judgment; (2) The possibility of their judgment being proved wrong; (3) Inadvisability of antagonizing management and cutting off sources of information: and, importantly though little realized (4) Fear of the provision of the Investment Companies Act of 1940,* which seems to raise that spook of *concentration of economic power:* "The Commission is authorized . . . to make an investigation of . . . the effects of size on concentration of control of wealth and industry, and on companies in which investment companies are interested, and from time to time to report the results of its studies and investigations and its recommendations to the Congress."

This provision in the statute seems to many trust managers to indicate that prudence would dictate that to avoid the possibility of accusations of undue influence over corporate affairs by a few powerful fund officials, they desist from taking positive public stands on management questions.

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Thus, we see that considerations over a very wide area of corporate policy get explored in the wake of a proxy contest, no matter how narrow its primary motivation may seem to be!

*Investment Companies Act, Sec. 14 (b).

Toward New Patterns In World Trade

By HOWARD C. SHEPERD*
Chairman of the Board, National City Bank of New York

Prominent New York banker points out recent favorable developments in American international trade. Notes United States foreign trade for current year is at peak level, more than 3½ times prewar total, in spite of postwar continued restrictions and impediments. Says trade is not only expanding but is swinging back into more stable patterns, less influenced by emergency conditions. Reviews changes and shifts in segments of our world trade and concludes many signs are favorable for further world trade expansion.

In thinking about my function as the last speaker of this Convention, and considering what things might need most to be said, I came to the conclusion that I should try to give you an encouraging send-off. During the Convention I am sure you have heard many notes of caution and much stress on troubles and difficulties. Credit and exchange problems, import controls, quotas, prohibitions and regulations *ad infinitum* plague you as always. Over and above these familiar burdens, you are facing more competition from Western European countries, now that they have finished their major reconstruction jobs and increased their capacity to export. In certain of the problem areas of the world, the past year seems to have been one of retrogression rather than improvement.

Howard C. Sheperd

But it would be wrong to carry home the impression that only troublesome problems lie ahead. The fact is that some very encouraging statements may be made about the current world trade situation. I am confident that when all the data are in, we shall find that both the volume and the value of the world's trade have reached an all-time high this year, even exceeding the levels of 1951. Moreover, the pattern of international trade is healthier than it was in the early postwar years, when many traditional producers were virtually out of the market and only U. S. economic aid kept goods moving to areas in distress.

These two factors—the growth of world trade and the healthier pattern of trade—are what I have decided to talk about this evening. I am not doing this just to try to make us feel good, since I realize that many of our exporters are facing very serious problems. I am stressing these positive points because I sincerely believe that now, with the economic situation improved over a large part of the Free World—and also, let us hope, with international tensions relaxing somewhat—we can look forward to further growth in the international exchange of goods. If that is correct, American industry and American exporters will have the skill and enterprise to share fully in the expansion.

Let me indicate, with as few figures as possible, how spectacular the recovery in world trade has been, despite political uncertainties, balance of payments crises, currency devaluations, and persisting trade controls.

In 1938, the Free World, then considerably larger than it is today, exchanged something like $21 billion worth of goods. By 1947, the actual volume of international trade had recovered to around the prewar level, and the value of these goods had more than doubled as result of the price rise. During the following four years, from 1947 to 1951, the volume of trade rose by some 40%, while the value increased by nearly 60%, reaching $77 billion in 1951. A temporary setback occurred in 1952, brought on largely by a drop in the purchasing power of the primary producing countries, after the end of the Korean commodity boom. Another factor was the 1952 recession in Western Europe's consumer goods industries.

But after this dip the value and volume of world trade rose again during the latter half of 1953. This was a result of the upsurge in West European business activity and occurred despite the American recession. We should learn from this experience the immense importance of Western Europe as a world market, and the sustaining effect of European recovery upon world economic activity.

The upward trend in trade has continued through 1954 and, as I mentioned before, has carried the volume and probably the value also to new record levels, perhaps close to $80 billion—more than 3½ times the prewar total. Participating in this expansion, our own commercial exports have recovered and are now running better than anyone would have expected from the predictions made a year ago. What is especially significant and encouraging is that, with the one setback noted, trade has expanded steadily since the war, even though the recovery of production in many countries has lessened their demand for some of the products they had to import in the first postwar years.

Trade Swinging Back into Normal Patterns

So much for the overall figures. While trade has been expanding, it has also been swinging back into more stable patterns less influenced by emergency conditions. Much of the early postwar trade was abnormal in character and flowed through abnormal channels. Fuel, food, and raw materials, vitally necessary to Europe, were freely available only in the Western Hemisphere. The vast deferred demand for consumer goods, especially textiles, had to be supplied in large part by the U. S. Trade moved in a maze of currency and exchange restrictions.

But with recovery of production abroad and the satisfaction of deferred demand, trade patterns naturally are changing again. In some respects the pattern now resembles that which existed before the war. With the recovery of European agriculture, world trade in wheat has receded from the postwar peaks back toward the prewar level. On the other hand, trade in meat and in fats and oils, which was subnormal, has recovered. The exceptional postwar trade in coal has tailed off. Demand for capital goods remains high everywhere, but the U. S. is no longer virtually the sole supplier of such goods as in the early postwar years. Some of the raw material producing countries which went in for heavy imports of consumer goods and other merchandise when their own products were selling at very high prices have had to cut back. But trade in citrus fruits and other agricultural specialties, which was low just after the war, has improved, and the same is probably true of other categories of semi-luxury goods.

I do not mean to imply that there is such a thing as a "normal" pattern of international trade, or that we shall ever return closely to the prewar pattern. In these postwar years we have seen not only short range changes but major basic changes in the world economy. Take Latin America, for example. The countries of Latin America have become more industrialized. Their imports are no longer preponderantly soft goods but rather raw materials, fuel, and capital goods. At the same time, the exodus of labor from the farms to the cities has reduced their exportable surpluses of food and raw materials. Another area, Southeast Asia, has failed to regain its prewar importance as an exporter of industrial raw materials largely because of the difficulties brought on by political changes and rapid population growth. The disappearance of Eastern Europe behind the Iron Curtain has made Western Europe more dependent for raw materials and foodstuffs on the Western Hemisphere and on Africa.

Long-Range Trade Shifts

The ever-changing nature of world trade can be seen from some of the very long-range shifts—I would say secular changes—in the world pattern of trade by commodities. These are changes which were going on before the war and which are now apparent once more. The most notable has been the decline over the long term in trade in textile goods and apparel. The University of Manchester in Great Britain estimates that the share of textiles and apparel dropped from 40% of total world trade at the beginning of the century to less than 20% in 1950. Relative declines, though not quite so steep, also took place in railway equipment and materials, leather and leather goods, and tobacco.

As against the relative decline in these goods, there was a second group which just about held its own percentagewise, or—in other words — expanded in about the same degree as total trade. The major products in this group were chemicals, nonferrous metals, paper and lumber, which accounted

Continued on page 31

*Address by Mr. Sheperd at the World Trade Dinner of the 41st National Foreign Trade Convention, New York City, Nov. 17, 1954.

The Election and The Business Outlook

By HARRY A. BULLIS*
Chairman of the Board, General Mills, Inc.

Prominent industrialist, in pointing out most important national legislation has resulted from "concurrent activity" of both political parties, foresees little, if any, change in government attitude toward basic issues of national security, foreign policy and reciprocal trade. Says, however, "sparks will fly" in other areas, such as tax policy, farm policy, public power, and amendments to the Taft-Hartley Act, but on the whole, no radical changes are expected in the favorable attitude toward business developed in the last Congress. Urges businessmen work for a goal of $400 billion in Gross National Product in 1956.

The question is frequently asked—What effect, if any, will the recent elections have on the course of economic conditions in the United States? My belief is that they will have very little, if any effect. The gigantic economic forces now in motion in this country will not waver before any flurry of ballots, regardless of the results. Like the Mighty Mississippi, our economic cycle will just keep rolling along as it ever has, oblivious to sweeps in the political tide. It is my firm conviction that this economic movement will be forward and positive in nature; that it will carry our nation to new heights of productivity in the next decade; and that it will bring about an ever-improving standard of living for a nation of increasing population.

Harry A. Bullis

It was Henry Clay who said, many years ago, that the most important legislation of the formative years of our nation resulted from "concurrent majorities" from both political parties in Congress. So it has been in the past decade. In fact during the past year, the Democratic Party gave President Eisenhower the margin of support necessary to enact the Administration's program.

So it appears to me that there will be little, if any, change in government attitude toward the really basic issues of national security, foreign policy and reciprocal trade. The sparks will fly, however, in other areas, where there is bound to be sword-clashing. I refer to tax policy, farm policy, public power, and amendments to the Taft-Hartley Labor Relations Act. But these political controversies will not, in my opinion, endanger the unity which is so necessary on foreign policy and security problems.

The very closeness of the outcome of the election reveals that practically no legislation can be passed without bi-partisan support. In my opinion, this will make both parties responsible. The Republicans in Congress will of necessity be supporting the Eisenhower legislative recommendations, and the Democrats, being responsible for the organization of both Houses, will have to take a responsible position if their candidate in 1956 is to have a satisfactory platform on which to run.

We can expect disputes and political bickering, but it seems reasonable to believe that there will be no great changes which will occur in the course or direction of legislation. I believe this is fortunate because the legislation of the past few years has provided a reasonably adequate basis for economic stability.

*Remarks by Mr. Bullis before the Joint Meeting of the Boards of Directors of the Canadian Chamber of Commerce and of the Chamber of Commerce of United States, Washington, D. C., Nov. 15, 1954.

The Economic Program

Tax Reduction: The most important single development in 1954 was the reduction in taxes. The reduction was possible, because taxes were lifted to a high level when the Korean conflict broke out. In fact, taxes were high enough in 1951 to produce total receipts almost 50% above the peak receipts of World War II. As a result, our budget was in sound shape until the year which ended June 30, 1953, when expenditures caught up. Since we were practically on a "pay-as-you-go" basis, much of the reduction in expenditures which the Eisenhower Administration worked out could be translated into reduced taxes.

The total tax reduction amounted to about $7½ billion. The benefit from the reductions in excise taxes flowed mainly to individuals. The remainder of the reduction was about equally divided between individuals through decreased personal income taxes, and corporations through elimination of the excess profits tax.

The outlook for some sort of a reasonable working arrangement between the Western World and the Communist world now seems brighter than in any recent period. Unless this changes, the United States may be expected to continue to reduce its defense expenditures. This should permit some further reduction in taxes.

Easing of Credit: Another important development was the policy adopted by the Eisenhower Administration to combat the recession by the easing of credit. The first occasion was in June and July, 1953, when it became clear to the President's economic advisors that a recession had started as the result of bringing defense expenditures under control. A second occasion occurred about the middle of last summer, when a further easing of credit was accomplished. All told, the total amount of the easing of the bank reserve position amounted to some $4 billion. This has made abundant credit supplies available for all purposes. The government has entered the short-term market, in order to leave the long-term capital markets open to business to finance its growing needs for capital expenditures.

The Administration also took steps to make credit more readily available for the purchase of homes. The effect of this is to encourage home building which will probably set a new record in 1955.

Social Security: Social Security payments for old age were increased and broadened. It is not unlikely that the new Congress will encourage broader coverage for compensation to the unemployed.

Agriculture: The Administration stood firm on its agricultural program including flexible price supports. I believe the vote in such states as Iowa and Kansas indicates a large measure of popular support in agricultural areas.

While Canada and the United States have many mutual problems, there is no question but that the disposition of agricultural surpluses is a number one problem today and is likely to be in first place for the foreseeable future.

Both countries have agricultural production in excess of their domestic needs and both countries must have export outlets or must curb their own domestic production. Both are dollar countries and therefore they are more directly competitive in preferred export markets than is the case with Australia, Argentina, and other wheat producing nations. Both countries have built up larger than normal supplies, partly through above average yields over a period of years and partlybecause of encouragement to producers to enlarge their production.

In spite of these difficulties, neither Canada nor the United States has shown any inclination to commence cut-throat competition. True, both have been, and are now, aggressive sellers, and both are trying new sales devices to increase export flow. However, any competent observer must take note of the fact that each country has curbed its activities sufficiently to prevent any real price warfare. Noteworthy is the fact that we have not gone to the International Wheat Agreement minimum prices, whereas most importing countries had anticipated a price war between Canada and the United States which would have carried world wheat prices not only down to, but actually below, International Wheat Agreement minimum levels.

This is the significant fact in today's agricultural situation and should give us considerable confidence for the immediate future.

Result of Administration Program

In March of 1954, unemployment in the United States had reached 3,700,000. By October, 1954, unemployment had decreased to 2,700,000, one million less. At the same time, total employment has increased. In terms of unemployment, this recession has been milder than the recession of 1949.

Gross National Product reached its peak rate of $370 billion in the second quarter of 1953. From there, it slid downward to a rate of $356 billion for each of the first three quarters of 1954. This was a decline of $14 billion, or 3¾%, from the peak rate of the gross national out-turn of all goods and services.

The cause of this downturn is quite clear. The Eisenhower Administration has brought down the annual rate of expenditures for national defense from a $54 billion rate in the second quarter of 1953 to a $43 billion rate in the third quarter of 1954—a drop of $11 billion. As a consequence, business began to reduce inventories and there was a swing of $9 billion—from accumulation at a rate of $5 billion annually to liquidation at a rate of $4 billion.

Perhaps half of the swing in inventories might have been a proper adjustment to compensate for the decline in defense spending. Then the other half would represent the reduction in inventories because of a slightly lower rate of production and sale of durable and non-durable consumer goods. Total consumer expenditures actually increased during this same period, but the increase came primarily in the area of services, where no appreciable share of the total inventory is carried.

The total decline, in terms of the two items of national defense and purchase for inventory, amounted to about $20 billion. Of this total, $6 billion was offset by moderate increases in total consumer spending, expenditures for housing and factories, and in the expenditures of local government for schools, roads, toll highways, hospitals, etc.

These rather remarkable developments have proved how unreliable were the predictions of the prophets of doom who early in 1954 predicted that we were headed for a growing recession. Instead, the economy has shown remarkable stability. The prophets of doom should be somewhat sobered by the fortunate turn of events under the guidance of the Eisenhower Administration. Therefore, on the basis of merit, proposals of an economic character coming from the Administration, should receive careful attention by the leaders of both political parties and by the leaders in American public life as well as by all of our citizens.

In the international field, our accounts have been in reasonable balance and we are continuing needed foreign aid. The rest of the world has gained in dollar and gold reserves during the past two years. These have been provided by the new gold production of Canada and other gold producing areas, together with the willingness of the United States to allow its gold reserves to flow out in a moderate amount as a result of maintaining a high rate of imports.

The probabilities are that the new Congress may be a little more favorable to tariff reductions and reforms directed toward the enlargement of imports and foreign trade. This should be encouraging to Canada and to those other nations of the free world which have come close to the point of general currency convertibility.

Freer currency convertibility and freer world trade will increase the strength of the countries of the free world and provide a firmer foundation for the continued economic growth which is so vital to the progress of the free world.

Economic Outlook

What are the prospects for continued economic growth in the United States?

Perhaps a few figures will be helpful as illustrations. In October, 1954, the automobile industry produdced only 232,000 cars and trucks—the lowest month in four years. For November, the schedule calls for 509,000 automobiles and trucks. For December, the planned production is 632,000. To meet these schedules, the automobile companies are increasing their inventories of steel and metal products. In consequence, the rate of production of the steel industry is rising. Therefore, there is little expectation of further inventory liquidation and there is some expectation of an increase in income as a result of greater activity in these basic industries. I look for an upward trend in the total production of goods and services in the months ahead.

The total of personal incomes before taxes was smaller this year than last, because of rising unemployment and shorter hours of work per week. However, this decline was more than offset by the reductions in personal taxes and, as a result, disposable personal income actually increased. This was a significant effect of the tax reduction which helped to maintain consumer expenditures at a high level, and also helped to prevent more drastic liquidation of inventories.

Similarly, corporate incomes were helped by the tax reductions. Corporate incomes before taxes during the first half of 1954 were below the first half of 1953, but three-quarters of the decline was offset by lower taxes. Thus, business as a whole is nearly as profitable this year as last, and this is the factor which helps to promote a high rate of expenditure for plant and equipment. Funds set aside for depreciation are increasing, partly as a result of provisions for accelerated amortization. This makes additional funds available to industry for use in financing new purchases of improved tools, equipment and factories.

For the coming year I see a continued rise in consumer expenditures, probably accompanied by a slightly more rapid rate of increase in consumer disposable income. Expenditure on all construction—housing, factory and other construction—is expected by competent authorities to increase by about 5% in 1955. I believe the purchase of producer's tools, plant and equipment will continue on about the present level.

Our net foreign investment probably will remain practically unchanged, if not increased. The rate of reduction in government expenditures for national defense will continue to decline, but at a slower rate. This reduction could well be offset by further reduction in taxes to stimulate economic expansion. Expenditures of state and local governments will undoubtedly continue to increase at about the same rate as in the past two or three years, for the pressing needs for schools, highways and hospitals must be met.

This is an encouraging outlook and in my opinion no part of it will be affected by the changes in the control of Congress. The American people are interested in economic growth and they have some understanding of the desirable policies which can be adopted to promote such growth. I can see no reason to expect any different attitude in the new Congress other than the favorable attitude which was developed in the last Congress.

Conclusion

The long-term prosperity of the United States is directly related to our ability to create and maintain a dynamic and expanding domestic economy. It will not "just happen." We businessmen must continue to work for it, to venture for it, and to strive and risk for it. It can be achieved, and in achieving it we can establish a new standard of social progress and mutual attainment under the banner of initiative and free enterprise for all the world to see and to emulate. It behooves us, therefore, to address ourselves constantly to this task.

We businessmen should be sobered by the fact that we often miss the bull's eye. Consider the present year, when instead of showing a productive growth equal to the average annual rate of 2½ to 3%, we showed a decline of slightly more than the $10 to $12 billion represented by those percentages. We can shrug it off as due to declining defense expenditures. But the fact remains that we did not take up the slack. We did not provide the additional leverage to lift our country in the direction that it must travel to increase jobs and to raise spending power for the long pull.

It is up to you and to me, as businessmen, to find additional desirable policies to achieve greater production and larger disposable incomes. A goal of $400 billion Gross National Product by the end of 1956 seems reasonable. The President already has said we can reach a goal of $500 billion by 1965. If this goal is reached, personal income per family might increase as much as $3,000 per year.

This is the challenge to American Industry. It is a big challenge, but it can be met and mastered. The stakes are high and they concern not only this continent, but this hemisphere, and the rest of the world as well.

New Construction in 1955 Set At $39½ Billion

New construction activity is expected to reach an all-time high of $39½ billion in 1955, 7% above the record breaking $37 billion volume indicated for 1954, according to outlook estimates prepared jointly by the U. S. Department of Commerce's Building Materials and Construction Division and the U. S. Department of Labor's Bureau of Labor Statistics.

The prospect for this increased volume in 1955 is based on the assumption that the general level of economic activity will remain relatively stable, and disposable income of consumers will continue at a record rate. There should be sufficient capital funds available to finance a very large volume of construction at comparatively favorable rates, and it is assumed that construction costs will remain relatively stable. The possibility of significant departures from any of the above assumptions should, of course, be kept in mind when assessing the outlook for construction in 1955.

Current indications are that both private and public construction will set new records next year, with private expenditures estimated to increase to $27.4 billion, and public outlays to $12.1 billion.

The greatest boost to privately financed construction will come from greater expenditures for new residential building (nonfarm), which is expected to increase by 13% to $15 billion and to account for 55% of all private construction next year. A continued strong demand for new homes, the ready availability of mortgage money, plus the easier credit terms provided by the 1954 housing legislation indicate, that private dwelling units started in 1955 will exceed this year's anticipated high total by about 100,000 units. The 1,300,000 total public and private housing units estimated to get under way next year would make 1955 second only to the peak year of 1950, when construction was started on 1,396,000 dwellings.

Among the important influences that are supporting new housing demand are widely distributed liquid assets in the hands of consumers; the millions of World War II veterans still eligible for GI home-loan privileges, which, under the GI Bill of Rights, expire in 1957; and changing family housing needs, as the birthrate continues to rise and larger families in middle-income groups become more prevalent. Of special significance is the strong trend toward home ownership in recent years, which reflects consumer preferences. This in itself imparts much of the vitality to the present housing market.

Private Nonresidential Construction

Although private housing is expected to account for the bulk of the net increase in total private construction operations in 1955, important types of nonresidential building are also likely to break records. Current prospects are that commercial construction will continue to expand to a new high of $2.3 billion of work put in place in 1955, with the emphasis on new stores, shopping centers, and offices to service new housing developments and continued suburban growth. Religious and private educational building, each of which achieved more construction put in place in 1954 than in any previous year, will likely expand still more in 1955.

Public utility expansion as a whole will hold close to the peak levels of 1953 and 1954. Some decline in railroad and gas utility construction will be offset by moderate gains in petroleum pipeline construction and electric plant expansion.

New industrial construction will probably be somewhat less than in 1954, declining moderately for the third successive year, since the major part of the huge defense plant expansion begun after 1950 has been put in place. However, the downtrend in contracts awarded for industrial building has been leveling off, so that the rate of decline in work put in place in 1955 is expected to be less than in 1954. New nonferrous metal, chemical, steel, and food processing plant expansion, plus increased outlays for modernization of existing facilities, are factors which will slow the downtrend in industrial construction.

Public Construction

The anticipated increase in public construction activity next year reflects continued expansion for nearly all types of State and Local public works. The value of expenditures on State and locally owned projects, for which a new high of $8 billion appears likely in 1954, will exceed the $9 billion level in 1955.

Highway construction probably will reach a new high of $4.2 billion next year, or nearly one-fifth above this year's level, reflecting the expanded program of Federal aid to highways, and an anticipated increase in toll-facility construction. Public school building will continue at its swift pace in 1955, responding to the need for replacing obsolete facilities and providing new classrooms for continuing enrollment increases which are averaging nearly 1,500,000 pupils a year. Outlays to provide new public school facilities in 1955 are expected to increase by 16% to $2.4 billion.

Public and private hospital construction is likely to increase next year, but will not reach the levels attained in the 1949-1952 period. New sewer and water facility work in 1955 is expected to go over the $1 billion level for the first time.

Outlays for direct Federal construction, which experienced a substantial decline in 1954, will show a further but much smaller reduction next year. Principal decline will be for industrial building, particularly on atomic energy plants, for which construction will have passed the peak. Federal work on conservation and development projects will continue to decrease next year. On the other hand, construction work at military bases, following a 29% drop in 1954, is scheduled for a rise of nearly one-fifth in 1955.

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.

Base Metals—Study of Canadian companies engaged in production—A. E. Ames & Co. Inc., 2 Wall Street, New York 5, N. Y. Also available is a booklet on the operation of **Canadian Banking System.**

Canadian Letter—Fortnightly review of the Canadian Securities Market—Newling & Co., 21 West 44th Street, New York 36, N. Y.

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

Common Stocks of Eastern Railroads — Analysis — Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Housing Boom—Analysis with data on selected building material companies—Ross, Knowles & Co. Ltd., 25 Adelaide Street West, Toronto 1, Ont., Canada. Also available is a bulletin on **Lake Expanse Gold Mines, Ltd.**

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

Investment Portfolios—Three suggested portfolios—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a review of **Otis Elevator.**

Life Insurance Industry—Reviews—R. S. Dickson & Company, Inc., Wilder Building, Charlotte 1, N. C.

Louisiana — Annual report from Department of Revenue—Scharff & Jones, Inc., 219 Carondelet Street, New Orleans 12, La.

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.

Personal Property Tax Free Long Dividend Paying Stocks—Booklet listing 180 stocks tax free in Pennsylvania—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

Preferred Capital for Banks-Approved—Reprint of address before the New Haven Chapter of the American Institute of Banking—M. A. Schapiro & Co., Inc., 1 Wall Street, New York 5, N. Y.

Rails—Review of outlook for earnings—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Uranium Mining in Canada—Analysis—Burns Bros. & Denton, Inc., 37 Wall Street, New York 5, N. Y.

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Airborne Instruments Laboratory, Inc.—Analysis—C. E. Unterberg, Towbin Co., 61 Broadway, New York 6, N. Y.

Canadian Pacific Railway Co.—Analysis—Abraham & Co., 120 Broadway, New York 5, N. Y.

Canadian Superior Oil of California Ltd. — Memorandum — Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif. Also available are memoranda on **Landers, Frary & Clark,** and **Tennessee Gas Transmission Co.**

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

Food Machinery & Chemical Corp.—Analysis—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Froedtert Corporation — Analysis — Leowi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also available is an analysis of **National City Bank of New York.**

Glen Roger Credit Inc.—Analysis—John C. Kahn Company, 1108 Sixteenth Street, N.W., Washington 6, D. C.

Harnischfeger Corporation—Report—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Interstate Bakeries Corporation—Analysis—Herbert M. Baus and Co., 2796 West Eighth Street, Los Angeles 5, Calif.

Joseph Bancroft & Sons Company—Analysis—Woodcock, Hess & Co., Inc., 123 South Broad Street, Philadelphia 9, Pa.

Phelps Dodge Corporation—Bulletin—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available is a list of 44 selected issues which appear to be market laggards.

Portland General Electric Company — Analytical brochure — Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

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

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

Rochester Telephone—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y. Also available is an analysis of **Investors Diversified Services, Inc.**

Sapphire Petroleums Ltd.—Analysis—Franklin, Meyer & Barnett, 120 Broadway, New York 5, N. Y.

Selection Trust, Ltd.—Analysis—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Signode Steel Strapping Company—Review—Blair & Co., Incorporated, 44 Wall Street, New York 5, N. Y.

Southern Production Co.—Memorandum—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

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

Stokely-Van Camp, Inc.—Bulletin—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York, Inc. (STANY) Bowling League standing as of Nov. 18, 1954 is as follows:

Team	Points
Leone (Capt.), Nieman, O'Mara, Forbes, Greenberg, Murphy	33
Donadio (Capt.), Hunter, Fredericks, Demaye, Saijas, Kelly	32
Bean (Capt.), Meyer, Bies, Pollack, Leinhardt, Weiler	30
Mewing (Capt.), Define, Gavin, Montanye, Bradley, Huff	29½
Barker (Capt.), Brown, Corby, Weseman, Whiting, Fitzpatrick	27½
Kaiser (Capt.), Hunt, Werkmeister, Kullman, McGovan, O'Connor	26
Growney (Capt.), Alexander, Eiger, Valentine, Burian, Craig	26
Manson (Capt.), Jacobs, Siegel, Topol, Frankel, Tisch	25
Meyer (Capt.), Murphy, Frankel, Swenson, Dawson-Smith, Kuehner	24
Serlen (Capt.), Rogers, Krumholz, Wechsler, Gersten, Gold	19½
Krisam (Capt.), Clemence, Gronick, Stevenson, Weissman McCloud	18½
Klein (Capt.), Rappa, Farrell, Voccolli, Straus, Cohen	12

200 Point Club
Julie Bean 243

5 Point Club
Walt Mewing

BOND CLUB OF DENVER

The annual meeting of the Bond Club of Denver will be held at the University Club on Dec. 7, 1954 at 7:00 p.m.

The annual Bond Club of Denver-Investment Bankers Association Christmas Cocktail Party will be held at the Denver Club on Dec. 22, 1954 from 4:30 to 6:30 p.m.

Our Reporter's Report

Underwriters and dealers, now in a cheerful mood as far as the behavior of the market is concerned, find themselves running rather thin of material at the moment.

The fact remains, however, that new corporate issues reaching market are being rather well received even though some of the old line institutional investment organizations continue to be cool to prevailing yields.

What has been happening is perhaps best illustrated by the recent experience of New York Telephone Co. 3s brought out several weeks ago. For a time after the syndicate decided to set this issue free it settled down to a market of 100 bid and 100⅛ asked.

Now the bonds are being quoted at 100⅝ bid and 100¾ asked with every indication that the bulk of the issue has been well placed. Meantime Pacific Telephone's 3⅛s are commanding a premium of about ½ point over the offering price at which they were brought out a week ago.

But for the near-term the calendar is thin with Thanksgiving Day naturally making for dullness this week. However, underwriters who maintain trading departments are finding the secondary market a bit more interesting as investors search hither and yon for outlets for their accumulating funds.

Looking Forward

The turn into the final month of the year does not hold out any promise of exceptional activity, at least not in the early stages. Well up on the list is the Commonwealth of Australia's $25,000,000 refunding operation.

But the second week promises a bit more lucrative activity what with Tennessee Gas Transmission Co.'s negotiated offering of $125,000,000 of first mortgage pipe line bonds slated for market around Dec. 8. This is a partial refunding operation.

The following week, probably Dec. 14, New England Telephone & Telegraph Co., will open bids for $30,000,000 of 34-year debentures and will launch the sale of 511,205 shares of common to stockholders on a "rights" basis.

Big Investors Reluctant

Despite the ability of bankers to place new issues major institutional investors remain reluctant to look at current yields. That, say those who contract them, goes for big insurance companies not only in New England, but in Philadelphia and Canada as well.

While these interests won't reach for new material they are not by any means disposed to part with any substantial portion of their portfolios. They are not sellers since they would naturally find it difficult to reinvest the money.

But currently they are finding convenient outlets for new funds in mortgages, and revenue issues such as turnpike bonds which promise to be in ample supply for a while.

Corporate Borrowings

Corporations were more active in the capital market in the first nine months of this year than in the same period a year earlier, SEC disclosed.

New issues floated, including bonds, notes and stock, accounted for an aggregate of $7,000,000,000, up from $6,400,000,000 in the 1953 period.

About $1,200,000,000 of the total was for refunding of outstanding debt at lower interest cost. About $4,300,000,000 was raised for plant and equipment, and the balance, of just over a billion, to provide working capital.

Little Miss Jones Routs the Wolf

SEATTLE, Wash. — Prescilla Jones, aged 10, starred as Little Red Riding Hood in the Seattle Iceparade of 1954, and chased six feet of Big Bad Wolf right off the ice arena to the loud applause of Papa (Jack E. Jones, Blanchett, Hinton & Jones.), Mama and most of all her twin Jonathan. It was a gala birthday for the twins, too, who celebrated their tenth anniversary on Nov. 20. Big sister Taffy is away at college — the University of Oregon.

With Brown Bros. Harriman

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Roger B. Salinger is with Brown Brothers Harriman & Co., 10 Post Office Square.

The Institutional and Individual Demand for Equities

By JULES I. BOGEN*
Professor of Finance, New York University

Dr. Bogen discusses the relative demand for stocks by individuals and by investment institutions, and finds that adequate statistics are not available to interpret properly the impact on investment demand of either class of purchasers. Lists principal classes of institutional investors and their importance in the investment field. Regarding the supply of equities for investment, he concludes the demand for common stocks is outrunning the supply by a moderate margin. Makes forecasts of future demand for securities, particularly as related to equities and fixed interest obligations.

In the field of economic analysis, great progress has been made in perfecting supply and demand statistics. Developed first for the major commodities, in the last few years statistics have become available covering the supply of and demand for investment funds in the bond and mortgage markets. We can now appraise the prospect for the bond market by measuring the inflow of funds into the six major classes of institutions: savings banks, life insurance companies, fire and casualty companies, savings and loan associations, commercial bank time deposits and pension funds, and comparing it with the supply of new investment securities: corporate obligations, mortgages, state and municipal obligations and long-term bonds of the Federal government.


Dr. Jules I. Bogen

Such a demand and supply analysis has not been undertaken for common stocks. This is a hard job. Some of the required statistics are hard to find, and they are even harder to interpret. This is so particularly because supply and demand for securities must be measured in terms not of the amounts outstanding, but rather of the net increment of supply and the net increment of demand for a single year.

The Demand for Common Stocks

The demand for common stocks comes from financial institutions and from individuals. Fortunately, we have statistics for a considerable part of the institutional demand, which will permit us to project net institutional purchases of common stocks for the full year 1954.

For open-end investment companies, we have statistics covering sales of shares and redemptions in each quarter. The latest quarter shows that the open-end investment trusts are selling approximately $100 million more of certificates and shares than are being redeemed. In the third quarter, the figure was $107 million. It is a safe assumption, therefore, that the open-end funds will sell approximately $400 million more in shares and certificates than will be redeemed in all of 1954. That represents a net demand for common stocks of almost a like amount, because these funds keep fully invested as a rule.

Secondly, we take the independently-administered pension funds. I am not concerned with pension funds that are insured with life insurance companies; such funds are included with life insurance company investments. Estimates of pension fund resources were provided by the Federal Reserve Bank of New York in its December, 1953 bulletin, and long before that by Dr. Roger Murray of the Bankers Trust Company. These estimates indicate that independently administered funds are increasing their resources at a rate of about $1.2 billion a year, and about a quarter of this sum is being invested in equities. If we take 25% of $1.2 billion, we get $300 million of pension fund money which provides a recurring demand for common stocks.

Thirdly, there are the fire and casualty insurance companies which are increasing their resources at the rate of about $1 billion a year. Fire and casualty companies put about 25% of their resources into common stocks. That is a third institutional source of demand for common stocks, amounting to $250 million.

Fourthly, the life insurance companies have been buying common stocks in a gradually increasing amount. In the past few years life insurance companies in New York, which could not previously do so, have been authorized to put a small percentage of their funds into common stocks. Available statistics indicate they will buy approximately $100 million of common stocks this year under the dollar averaging approach that is favored among them.

Finally, mutual savings banks in New York have been buying common stocks under the authorization recently given them, and have set up their own mutual fund to facilitate equity investment. Mutual savings banks may buy about $50 million of common stocks in all this year, including purchases by banks outside New York that have the authority to do so.

Adding these institutional demands, we have a total of $1.1 billion of institutional money this year which constitutes a recurring demand for common stocks.

Individual Demand

Now we turn to individual investment in equities. The Securities and Exchange Commission issues a quarterly estimate of liquid savings of the American people. That shows liquid savings flowing into corporate equities in the second quarter totaled $300 million. But this figure includes pension funds as individuals, and comprises purchases of investment funds. Eliminating these two elements and putting the figures on an annual basis, indicated net purchases of equities by individuals are at a rate of $500 million a year.

When Tom sells a common stock and Harry buys the common stock, there is no flow of net savings into equities, and no net demand for common stocks by individuals. But if all Toms, Dicks and Harrys together buy $500 million of common stocks in excess of sales, that measures the net demand for common equities. That is just what we are trying to measure.

Individual net purchases of common stocks, the SEC savings statistics indicate, may be running at a rate of some $500 million for this year. We thus have a combined institutional and individual net demand for equities of about $1.6 billion for the year.

This is not presented as a definitive estimate of this year's net demand for equities. All I can say for it is that it is all we have to work with. Until a private research or a government agency undertakes to do the job of compiling definitive statistics of the demand for and supply of equities, it is as good as can be done, I believe.

The Supply of Equities

What is the net addition to the supply of common stocks to satisfy this net demand of some $1.6 billion? We have reliable statistics of the volume of new offerings of common stocks. But we must adjust these, in a demand and supply analysis, to allow for common stocks that are paid off in liquidation, mergers and retirements. Only then can we measure the net supply of common stocks that counterbalances new savings invested in equities.

A measure of the new supply of equities is the net change in corporate securities outstanding as compiled by the SEC, less investment company issues, because these do not constitute a net addition to the supply. On the basis of available data for the first two quarters, the net change in the amount of common stock outstanding would be $1.2 billion for the full year.

Our figures thus indicate a net demand of $1.6 billion for common stocks this year. They indicate a net supply of common stocks of $1.2 billion for the year.

The conclusion, therefore, is that the demand for common stocks is outrunning the supply, but by a moderate margin.

Stocks can rise in price, of course, merely because buyers are eager and sellers are reluctant. The statistical evidence shows that the rise in the prices of common stocks also has a concrete statistical basis. The new demand for stocks outruns the new supply. More savings are going into equities than there are new shares offered.

Future Demand and Supply

Let us turn now to examine the probable future trends of demand and supply in the market for equities.

In making estimates of the demand for equities for 1954, I talked about institutions first and then about individuals, because statistics for institutions are much fuller than statistics for individuals. In appraising the future trend of demand, however, I would like to take up individual demand first, and then institutional demand, since institutions are only a channel through which individuals invest their savings. If individuals change their minds about investing through institutions and invest directly in common stocks to a larger degree, we could have spectacular consequences in our financial system.

Individuals in the aggregate buy common stocks with savings. Savings of the American people are at a very high level: in 1954, 8% of the disposable income of the American people is being saved. Will that continue? In my judgment it is reasonable to assume that total savings will continue close to this high level. The habit of saving, once established, becomes deep rooted with most people. And they become more eager to build up their savings if the economic outlook is a bit cloudy, as we see this year. People are less willing to touch savings when income dips.

This year, over 80% of the liquid savings of the American people are flowing into insurance companies, banks, savings and loan associations and pension funds. Will that continue to be the case? The interesting Consumer Finance Survey which is made each year under the auspices of the Board of Governors of the Federal Reserve System shows no evidence that a change is to be expected soon. A number of people were asked, "What are your favorite investments, a savings account, a savings bond, equities or real estate?" People in the $3,000 to $5,000 annual income bracket in only 3% of the cases said that they prefer equities. In 73% of the cases they said they prefer savings accounts or savings bonds. Others liked real estate. But in 1953 equities were favored by 6%, as compared with 3% this year.

In the income brackets of $5,000 to $7,500, only 7% said they preferred equities, and 80% savings accounts or savings bonds. Last year, the figure for equities was 10%. The only group where you get any substantial preference for equities is among those earning $7,500 and above. In that group,

Continued on page 35

*A lecture by Dr. Bogen in a series sponsored by the Investment Association of New York in cooperation with the Graduate School of Business Administration of New York University, New York City, Oct. 28, 1954.

The Economic Outlook For the Textile Industry

By A. W. ZELOMEK*
Economist and President, International Statistical Bureau, Inc.

Noting that the textile industry's recession has been over for several months, Mr. Zelomek maintains its long-term outlook is more favorable than in many years. Expects rapid cyclical fluctuations to continue, with flexibility of operations, requiring changeable machinery, becoming increasingly necessary. Predicts industry's coming opportunities greatest in many years.

Past events always cast some light on future possibilities. Let me therefore review briefly some of the most important things that have happened during the past 30 years:

A. W. Zelomek

(1) One should first note from the past record that the textile industries are volatile. The cycle of textile production and sales is more violent than the cycle of total industrial production and sales.

(2) With the exception of the war and the immediate post-war years, the earnings record of the textile industry has been less favorable than industry in general.

(3) Man-made fibers have been introduced, and this has increased competition and, at this stage at least, created confusion among consumers, retailers and processors. However, it has created great new opportunities.

(4) Government support for the natural fibers—cotton and wool—has been adopted.

(5) New England has decreased in importance as a textile producer, while the South has gained.

(6) However, there has been a narrowing of the wage differential between the North and the South, due to the increasing industrialization of the latter.

(7) Textile operations became more fully integrated during the war and immediately afterward. More recently, this trend has been partially reversed.

(8) There has been a steady decline in the amount of basic equipment—spindles and looms in place. The increase in textile production has been due to the gain in machinery speeds, machinery efficiency, and machinery hours.

(9) Casual garments and sportswear have increased in importance as a result of suburban developments, and the normal reaction following war.

(10) Novelties and dressier garments are currently increasing in importance.

(11) There was a growth of manufacturing-retailers during the depression and through the war period. More recently, this type of operation has lost some ground.

(12) There has been an expansion in the sale of nationally branded merchandise. There has also been an increase in advertising appropriations by fiber producers, as well as promotional tie-ins between garment manufacturers and retailers.

Future Prospects

These highlights provide a brief summary of the revolutionary changes that have occurred in the industry. They provide a background against which we can make some guesses about the future.

You will note, however, that many of these changes within the industry developed in response to important "outside" developments, like the war. What happens to textiles in the future will also depend on what happens to the economy as a whole. We must first make some assumptions about the general outlook.

For this discussion I have assumed (and I believe I have a great many on my side) that the growth of this country will continue for years to come and that the textile industry will reflect this growth. I have assumed an expansion in population from 159.6 million in 1953 to possibly 190 million by 1965. I have also assumed that Gross National Product—which is business, government and consumer spending combined—will probably average about $535 billion in 1965 compared with $364.9 billion in 1953. I have assumed that the standard of living of the American people will continue to rise.

What does this all add up to, therefore, in terms of the textile industry? Will the industry reflect this normal growth we can expect of our dynamic economy?

I believe that the textile industry will respond more readily to the rise in general business than it has in the past several years. I am optimistic about the future of the textile industry. However, I am optimistic only about intelligently run, well-managed, creative companies. These companies have an opportunity to reach new heights; but I warn you there are others that will fall by the wayside.

Here again, time will not permit me to discuss at great length the reasons why I am more optimistic regarding the textile industry than about the economy as a whole. I shall summarize briefly now, and then elaborate on some of the points.

Among the important factors in the favorable outlook are the following:

Population growth will continue. The increasing number of youngsters, who wear out clothes much more rapidly, will mean greater yardage.

As a result of the diffusion of income, the number of garments in the wardrobe will increase. The number of individuals in families with incomes of $3,000-$5,000 and over is considerably greater than before the war.

As I pointed out in the beginning, the outlook is conducive to a rise in disposable income but not to a runaway inflation.

The trend toward dressier garments is not having an adverse effect on casual garments and sportswear; it will therefore mean supplementary yardage.

With an increased number of youngsters growing beyond the infant stage, parents are hiring baby sitters and going out more frequently. Thus the growing demand for dressier garments is based on a fundamental change in the mode of living.

Most of us know that there has been a marked expansion in building and construction in this country. The number of new houses has been increasing rapidly. This year may mark the second largest number of new houses ever built. This must mean more home furnishings, sheets, draperies, curtains, bedspreads, furniture, cotton or synthetic carpets and rugs, etc. Moreover, the need for new homes is still very great.

The automobile industry has increased its use of textiles. With 54 million cars on the road, replacement demand alone requires a substantial production of new cars each year.

The synthetic textile industry—dominated by the chemical industry, always creators — will continue to press for increased consumption. There is a strong likelihood that the trend will be more toward blends rather than all synthetics.

Government support of cotton and wool will be accompanied by greater promotional efforts. This will also be true of silks.

More Spending for Textiles and Apparel

I have dwelt at somewhat greater length on the demand factors of the textile economy. What I have tried to indicate is that there is a preponderance of favorable factors.

Before turning to the internal factors of the industry, let me point out that public spending for apparel during the period 1950-53 was $1.3 billion less than it should have been, based on historical relationships of disposable income, employment, women working and other significant factors. I believe we will have relatively greater spending for textiles and apparel in the next few years.

The first is a factor which Mark Twain said everybody talks about and nobody does anything about—the weather. Unusually mild winters have affected the sale of heavyweight garments, especially women's coats and men's overcoats. Since the average sales check for a woman's coat is considerably higher than for a blouse or skirt, any lag in sales of these heavy items has a serious effect on total dollar volume.

Style factors—the trend toward casuals and the decline in demand for dressier garments—have also affected dollar volume. Perhaps you think that style changes are as unpredictable and as unmanageable as the weather. But they are not. We can foresee style changes and we can influence style changes.

I predict two style changes that will help bolster the upturn. Novelties are gaining in contrast to staples, and those businessmen who can follow this line will have advantages from it. Secondly, the trend toward dressier garments is again increasing. And along with this, I expect that replacement to build up consumers' inventories of women's coats and men's suits will occur. This will be in addition to the current, increased interest in dresses.

If you can stand to hear some figures, I'll give you a little summary of where yardages went between 1939 and 1953. In this period, the yardage used for coats, suits and dresses increased only 19.8%, while the total used for blouses and skirts increased 44%. In the men's wear trade, the figures are even more startling. Yardage used for overcoats and suits declined 8.5% and yardage used for jackets and trousers increased 174.5%. I expect that in the period to come, the trend toward dressier clothes will partially reverse these ratios.

The makers of apparel and apparel fabrics, however, will still have problems to meet. It is more difficult to merchandise novelties than it is staples. Novelties and dressier garments provide a greater challenge. I believe the industry will rise to the occasion.

Home Furnishings and Industrials

While the greatest portion of textiles is used for apparel, nevertheless fabrics for home furnishings and industrial uses represent considerable yardage. The outlook for both is favorable, but hardly equal to that for apparel.

Plastics as well as Fiberglas have competed with textiles in the home. Plastics and paper have competed with textiles in industry. While it would be foolhardy to attempt to indicate what the laboratories may create, there is no doubt that they will continue to provide new materials to meet the specific needs of industry. Some of the new fibers, in fact, have industrial uses that are still being explored.

I have previously indicated that the marked expansion in new homes, the increasing population and the expected increase in the family formation beyond the next few years will all contribute to increased use of fabrics for the home.

Machinery Needed

Another important factor deals with the question of textile machinery. We have been recommending for years that the industry introduce machinery that is more flexible. This is especially needed in view of the fact that there is no such thing as the use of a single specific fiber for a specific fabric. It would seem to me, therefore, that the industry will still have to maintain high expenditures for machinery despite the large outlays in the past several years. The industry has already been forced to introduce a considerable proportion of automatic looms, for example, in order to compete in the production of staples. In the future, it will need machinery of greater flexibility.

I believe that the greatest profit opportunity will be available to those branches of the industry that can create something new, something different, and can then change operations quickly when the margin declines below economic levels.

I have never agreed with the industry's thinking on the score that it is better to maintain production and lose money, especially since the overhead costs continue to go on.

Mergers and Integration

The question of mergers and integrations is a subject in itself. However, a few comments are in place.

Only a few years back, vertical integration was supposed to solve all the problems of the industry. Immediately after the war, belief prevailed that the small businessman, particularly the converter, would disappear.

I maintained then that the converter would rise to a still more important position, and the small mill that does top-notch raw material buying, styling, marketing and merchandising would be in a still stronger position. My conclusion holds equally true for the future as it did for the past.

For years I have heard that the new synthetics would displace natural fibers. The death knell of cotton, wool and silk has been sounded often. Yet we find today an increasing importance of these natural fibers. It is fortunate for the industry, however, that synthetics have come in. It is questionable whether there can be enough natural fibers produced in the world to take care of the increasing world needs. Moreover, the synthetics, in combination with natural fibers, can provide more in appeal and price, and thus help both the industry and the consumer. Growing use of synthetics also requires greater flexibility of operations.

Conclusion

It is customary in a paper of this sort to summarize briefly what has previously been discussed in detail. This also serves the purpose of crystallizing a few highlights, which you can carry away with you. My conclusions, therefore, are as follows:

(1) The 1953-54 recession in the textile industry has been over for several months, even though the upturn has been only moderate.

(2) Fluctuations in the textile economy will continue, with a general trend upward in line with further growth of the American economy. In fact, fluctuations may be more rapid and the two-year textile cycle may even be shortened. But as against that, the declines and advances may not be as great in magnitude, short of further international tension.

(3) The long-term outlook for the textile industry is more favorable than in many years.

(4) The proportion of income that the consumer spends for apparel will increase, although it will not approximate the prewar level.

(5) The battle of the textile fibers will become more intense.

(6) The trend toward dressier garments, which will be evident in sportswear as well, will definitely help dollar sales. Bear in mind that the consumer's wardrobe of dressy garments is low.

(7) The continued trend toward novelties and the diminishing importance of staples provides greater opportunities for the small producer.

(8) Flexibility will be increasingly necessary.

(9) Therefore, machinery which can be changed easily from one operation to another, will provide greater opportunities.

(10) The outlook for sustained expenditures for plant and equipment is favorable.

(11) While designing, merchandising, selling and marketing will be most important, nevertheless buying of raw materials and pricing policies will have to be handled effectively if competitive positions are to be maintained. I am more convinced than ever that the need for good economic counsel will be greater than ever.

*A talk by Mr. Zelomek before the Evening and Extension Division, City College of New York, N. Y., Nov. 18, 1954.

Statler Hotels Offer Underwritten At $6.42

Statler Hotels Delaware Corp. is offering holders of common stock of Hilton Hotels Corp. of record 3:30 p.m. (EST) Nov. 24, 1954, rights to purchase 1,004,509 shares of Statler Hotels common stock at $6.42 per share. The offer is made on the basis of one share of Statler Hotels common for each share of Hilton Hotels common held and the rights will expire at 4:00 p.m. (EST) on Dec. 10. Holders of Hilton stock are also being offered rights to purchase unsubscribed shares on an allotment basis.

An underwriting group headed by Carl M. Loeb, Rhoades & Co. will purchase any unsubscribed shares.

Proceeds from the sale of these shares will be used as repayment of the advance subscription made for these shares on Oct. 27, 1954 by Carl M. Loeb, Rhoades & Co. and certain firms associated with it in this transaction.

The Statler properties consist of the Statler Hotels located in Boston, Buffalo, Washington, D. C., Cleveland, Detroit, St. Louis, Hartford, Los Angeles and New York, the Statler Hotel under construction in Dallas, and the commercial real estate associated with the Statler Hotels in Boston, Buffalo and Los Angeles. Such commercial real estate consists of an office building in Boston, a press building and facilities in Buffalo, and an office building, stores and garage in Los Angeles, comprising together with the Los Angeles Statler Hotel, the development known as the Statler Center in that city.

Other members of the underwriting group are: Allen & Co.; Lazard Freres & Co.; Wertheim & Co.; Hallgarten & Co.; Bear, Stearns & Co.; Ladenburg, Thalmann & Co.; and Sutro & Co.

Petroleum Outlook and Some Noncalculated Risks

By JOHN W. BOATWRIGHT*

Assistant General Manager, Supply & Transportation Dep't, Standard Oil Company (Indiana)

Mr. Boatwright discusses the outlook for the petroleum industry in 1955 and gives statistical data regarding supply and probable demand. Lists among the noncalculated risks inherent in the industry: (1) Risks associated with the "cushion concept"; (2) Risks associated with threats of disintegration; and (3) The "high capacity" risk. Says we have witnessed in a remarkably short time a radical change in the industry, due largely to quick expansion and quick modernization, and therefore "we are going to face abnormal risks in our business because of building ahead of the market."

We—as many of you—have made our studies of probable business outlook, consumer purchasing power, consumer credit, inventory levels, government spending and taxation, probable fuel demand for military planes, probable outlook for particular industries closely related to petroleum consumption and many other factors bearing on the future level of consumption of our products. I shall not go into the detail of any of this background work. Rather, with your permission, let us move directly to the estimate of 1955 petroleum demand.

John W. Boatwright

If the weather is normal—and this is a primary assumption that must be made—if the weather is normal, the demand picture should be along the lines as set forth in Table I.

It's an encouraging picture, I think, and not unduly optimistic. Some phases of our industry operated in 1954 above levels needed in the light of stocks on hand. However, based on this forecast, the oil industry in all its phases will from now on have to operate at higher levels than have been experienced during 1954.

Petroleum Supplies

There can be no doubt at all that supplies are more than adequate to meet this estimated greater demand. The only question really is in what proportion the needs of the economy will be met by domestic supplies on the one hand and by foreign supplies on the other. I know, of course, that the situation can be changed radically by government action at the Federal or state levels. At the moment, though, I see the supply situation shaping up about as shown in Table II. Keep in mind that this is not a recommendation as to what it should be but is my estimate based on current trends, as to what it will be.

You'll note from the tables that I estimate a 4.3% increase in demand and a 4.4% increase in supply. The small difference is accounted for by expected changes of stocks.

Crude Runs

Given this demand and this supply, what will be the crude runs to stills in 1955? Because the industry has been drawing down excess stocks of gasoline and distillates during this year, runs for 1954 probably will average a shade below those of 1953. Except for gasoline, however, this adjustment is practically completed now, and I think we can look toward a resumption of the upward trend in refinery runs in 1955.

Crude Runs to Stills
(In 000's of B/D)

1953 actual	7,000
1954 estimated	6,997
1955 estimated	7,279

There are two points about crude runs that deserve recognition:

(1) If we have a normal winter by Weather Bureau definitions, runs during this fourth quarter of 1954 and the first quarter of 1955 should average approximately 7,200,000 barrels a day.

(2) If the industry adjusts fully to the needs of the market, refiners will make more than their usual seasonal shift from output of gasoline to output of distillates. If they do not make this more-than-normal shift, we are going to have a shortage of distillates and a glut of gasoline before spring.

So much for what we might call the volumetric part of the petroleum industry outlook, the barrels-a-day part that can be more or less accurately measured by statistics. Now let's talk about a few other problems that seem to me to be of even greater significance than any projection of supply-demand curves on the basis of known economic facts.

What I have in mind are certain factors that are off on the periphery of what we normally think of as the petroleum economy. They are not strictly economic in origin, but they interfere, or threaten to interfere, with our normal business behavior, and so they are economic in their consequences. They are, all of them, real problems that we must face and solve, because they are going to figure largely in determining our future capital requirements and our future profits.

We are all familiar with the calculated risks inherent in our business, like the 1-in-9 chance of discovering oil with a rank wildcat. These to which I would now direct attention are the noncalculable risks.

Risks Associated With the Cushion Concept

We all have been long accustomed to the kind of expansion of facilities that comes in a highly competitive market under normal, natural conditions. The forces of production strive constantly to turn out a supply that will satisfy the hoped-for profitable demand. Market price is the factor that controls the rate of expansion. If there is a demand at a price sufficient to make it profitable to produce, someone will come up with the production to meet that demand. If the demand sloughs off and prices fall, making it no longer profitable to produce, output sooner or later contracts to the size of the profitable demand. Marginal, inefficient producers fall by the wayside, and there is a kind of semi-automatic equilibrium established between supply and demand.

With the Korean crisis, a foreign influence was introduced into the petroleum industry's behavior. The government asked the industry to establish a security cushion of at least one million barrels a day of *excess* producing and refining capacity. There was no strictly economic justification for this added capacity, because the market had not expanded to the requested level. But there was an admitted, obvious security need.

Over a span of less than three years the people in the industry provided even more than the requested increase in capacity. I have seen estimate of as much as 2,000,000 barrels daily of shut-in crude production capacity. A multitude of individual firms played various parts in putting together the small pieces that made up the impressive whole. One firm stepped up drilling to provide more production. Another put in a new pipe line or bought a new barge to insure more efficient transportation. Still another added distillation or cracking units to get more or better refining capacity. And still another began making new products—petrochemicals, or new motor oils, or multi-purpose greases, or any other of the more than 2,000 products that can be made from petroleum.

What we witnessed in a remarkably short time was a radical change in the industry. We had both a quick expansion and a quick modernization.

It's worth noting that—except in the case of certain alkylation facilities—much of this industry expansion would eventually have taken place anyway as a result of normal market growth. The government did not have to offer the industry any subsidies, direct or indirect, to insure the expansion. All that the government did offer was the incentive of rapid tax amortization. But because there was an urgent appeal for the security cushion and because rapid tax amortization in some cases offered advantages, the industry compressed many years of growth into a relatively short time. It concentrated into 1951, '52, and '53 a building of facilities that otherwise almost certainly would have been spread over a period of five or six years.

We began to feel the results about the middle of 1953, and then conditions were further complicated by an unusually mild winter. We have felt the full force of the results so far in 1954. The whole supply and demand relationship of equilibrium has been thrown out of kilter.

Because our industry is competitive—and only because of that—each refiner began making his own adjustment to the unnatural circumstance of excess capacity. Naturally he used his newer capacity. Also, some ran older units, rationalizing their behavior on an incremental cost justification. And, also naturally, the newer units had distinct cost or quality advantages, or both, over the older units. Inevitably there were shifts of market position. Some refiners were hurt. Some of the less efficient units in various refineries have been shut down completely, and this process probably will continue.

So much, I know, you are acutely aware of, and I review it only to set in context another, consequent problem that I'm afraid we sometimes overlook.

This other problem arises from the fact that competition in the industry will cause a considerable amount of *additional* building.

A more modern refinery is built, say, in any given area, equipped with the latest facilities for low-cost operation, and it begins turning out products. Will its competitors have to match its cost advantages? We know they will, and so the competitors build new facilities so they can achieve the same low-cost operation.

Or a new large-diameter pipe line is built to Chicago. Can com-

Continued on page 32

*An address by Mr. Boatwright at the Annual Convention of the American Petroleum Institute, Chicago, Illinois, Nov. 10, 1954.

TABLE 1
Estimated Demand All Oils—1955

	000 B/D	% Change
Domestic:		
Gasoline	3,500	3.6
Kerosene	330	1.5
Distillates	1,560	8.6
Jet fuel	180	35.3
Residual	1,500	2.7
All other	1,110	7.3
Total	8,180	5.3
Exports:		
Crude	30	—18.9
Refined products	250	—18.6
Total	280	—18.6
Total demand all oils	8,460	4.3

TABLE II
Estimated Supply of All Oils—1955
(000 of B/D)

	Estimated 1954	Estimated 1955	% Change
Domestic crude production	6,388	6,650	4[illegible]
Domestic NGL, etc.	680	720	5.9
Total domestic production	7,068	7,370	4.3
Imports crude oil	662	710	7.2
Imports refined products	402	410	2.0
Total imports	1,064	1,120	5.3
Total new supply all oils	8,132	8,490	4.4

Accounting and Securities Regulation

By RALPH H. DEMMLER*
Chairman, Securities and Exchange Commission

After discussing international movement of capital as a means of raising worldwide living standards, Chairman Demmler points out the significant role of accounting in the regulation of the issue and marketing of securities. Holds SEC has broad powers in relation to accounting rules, but, except in the administration of the Public Utility Holding Company Act, has deferred making accounting rules. Asserts, however, "our Commission will continue to lend its knowledge and legal support to develop better corporate accounting practices."

As you know, in recent years movement of American capital to foreign countries (other than Canada) has been represented in great measure, not by acquisition of foreign securities by individual investors, but rather by government grants, by government loans, and by investment in subsidiaries by American corporations. With intergovernmental relations the Securities and Exchange Commission has nothing to do. The Commission's jurisdiction with respect to capital advances by parent corporations to subsidiaries is quite limited. However, if the world develops as we hope it will, its economic progress will be based upon a substantial flow of private investment across international boundaries and with that we do have something to do.


Ralph H. Demmler

The United States, which emerged as a creditor nation after World War I, has perhaps less experience in international investment than have many of our Western European friends. The complex processes, the varying languages, the multiple laws, the differing customs, the involved techniques, call for skill and experience. The intelligent direction of foreign investment calls for a certain amount of what is suggested by a popular song entitled "Getting to Know You."

It is to be hoped and expected that over the years the international movement of capital required to raise the standards of living of the world will be less by inter-governmental loans and investments and more by private investment. It would be normal also to expect that a source of capital for such private investment would be the United States.

The aggregate outflow of private capital from the United States in the last six years has been approximately $5 billion $4 million, or an average of $900 million per year. In addition the subsidiaries abroad of United States companies have reinvested earnings at an average of $600 million per year during this six year period.

It is also significant to note the important change that has taken place in our balance of payments position. During the years 1946 through 1948 the transactions of the rest of the world with the United States resulted in a net collection by us of $4½ billion in gold and in dollar balances and investments from foreign countries; that is, they paid us that amount to settle their accounts. In 1949, we were in approximate balance and there were no net payments either way. But in the last four years, from 1950 through 1953, the reversal was pronounced, and our transactions with the rest of the world added about $7,700,000 to foreign countries' assets in gold and dollars. Based upon present available figures, the outgoing trend is continuing and the calendar year 1954 will witness another $1½ billion flowing to foreign countries to settle our accounts.

The outflow of investment capital, plus the balance of payments position would seem to indicate the validity of two conclusions:

((1) That American capital is seeking investment abroad, and

(2) That our net payments abroad are in such amount as to assist substantially in solving problems relating to remittance of profits and repatriation of capital.

The Securities and Exchange Commission is an agency of the Government charged with the responsibility of administering several Federal statutes which seek to provide protection for investors and the public in their security transactions.

We have set up in this country a Federal system regulating the sale of securities based generally on the furnishing to investors of information with respect to the security and its issuer. Legal sanctions, both penal and civil, are imposed for misrepresentation or concealment. Under that philosophy the investor is free to select either a wise or an unwise investment. The law merely assures that he has adequate opportunity to find out what he is buying.

Since the basic philosophy of our Federal securities regulations is once of disclosure, the importance of accurate accounting information furnished under generally accepted principles is readily apparent. It is only a statement of the obvious to say that the information most determinative of the value or potential value of a security and the progress of its issuer is the financial condition of a business and the financial results of its operations. Such information can only be derived from the issuer's financial statements accurately prepared and presented in such a manner as to be informative but concise; candid and uncolored; and disclosing every material fact necessary to make the statements not misleading.

Public offerings of securities by either the issuer or by persons in control of an issuer, and the obligations of issuers of securities listed on our national securities exchanges are governed respectively by the Securities Act of 1933 and the Securities Exchange Act of 1934.

The Securities Act of 1933, the so-called "truth-in-securities law," requires the disclosure of certain information, in the sale of new securities and prescribes standards for such information, so that the investor will know what he is getting when he buys securities. Any issuer registering securities under the Act also undertakes to file annual financial reports with the Securities and Exchange Commission. The Securities Exchange Act of 1934 provides for the filing with the Commission of basic information when a security is listed on an exchange and for periodic reports by the issuers of listed securities.

In complying with the Securities Act of 1933 the issuer files with the Securities and Exchange Commission a registration statement which is examined by our staff to determine whether it complies with applicable disclosure requirements including the requirements with respect to financial statements. If it appears to be incomplete or inaccurate the Commission has authority to refuse to permit the statement to become effective. The Commission does not, however, approve the securities nor does the Commission make any representation as to the accuracy or completeness of the information.

Securities offered for exchange by an issuer with its existing security holders exclusively where no remuneration is paid or given directly or indirectly for soliciting such exchange are exempt from registration procedures. However, such offerings are not exempt from the application of Section 17 of the Securities Act and Section 10 of the Securities Exchange Act, which deal generally with fraud and concealment in securities and the disclosure standards previously discussed would provide analogies in determining questions of civil liability or violation.

I mention this matter of exchanges of securities because we anticipate that from time to time foreign issues will be making offers to exchange new securities for outstanding securities.

Financial statements of issuers filed with the Securities and Exchange Commission under the Securities Act of 1933 and the Securities Exchange Act of 1934 are, with minor exceptions, required to be certified by independent public or certified public accountants. The Commission's requirements pertaining to the qualification of certifying accountants are rigorous. Such an accountant must be in good standing and entitled to practice under the laws of the place of his residence or principal office. Moreover, any such certifying accountant must be in fact independent, that is, he may not have any financial interest direct or indirect in the organization whose accounts he certifies. Nor may he be a promoter, underwriter, voting trustee, director, officer or employee.

In respect of accounts filed with it, the Commission is given broad authority. Both the Securities Act and the Securities Exchange Act authorize the Commission to prescribe the items or details to be shown in the balance sheet and earnings statement, the methods to be followed in the preparation of accounts, in the appraisal or evaluation of assets and liabilities, in the determination of depreciation and depletion, in the differentiation of recurring and nonrecurring income, in the differentiation of investment and operating income, and in the preparation of consolidated balance sheets and income accounts.

Despite the broad power conferred upon it with relation to accounting matters, the Commission has not, except in the case of certain companies subject to the Public Utility Holding Company Act, adopted general rules prescribing principles of accounting.

We have adopted a set of rules, identified as Regulation S-X, which specify the form and content of the financial statements required to be filed. Included in this regulation are the Accounting Series Releases which are composed mainly of opinions on specific accounting questions.

With respect to the accounting principles underlying the financial statements filed with the Commission, our approach has been to review statements as filed to determine whether the accounting principles reflected therein and the methods followed in their preparation are sound and generally recognized as such; if not, to suggest that the statements should be amended in order to avoid stop-order or delisting proceedings. This policy is stated in Accounting Series Release No. 4, April 25, 1938, as follows:

"In cases where financial statements filed with this Commission pursuant to its rules and regulations under the Securities Act of 1933 or the Securities Exchange Act of 1934 are prepared in accordance with accounting principles for which there is no substantial authoritative support, such financial statements will be presumed to be misleading or inaccurate despite disclosures contained in the certificate of the account or in footnotes to the statements provided the matters involved are material. In cases where there is a difference of opinion between the Commission and the registrant as to the proper principles of accounting to be followed, disclosure will be accepted in lieu of correction of the financial statements themselves only if the points involved are such that there is substantial authoritative support for the practices followed by the registrant and the position of the Commission has not previously been expressed in rules, regulations, or other official releases of the Commission, including the published opinions of its chief accountant."

The application of the principle stated in Release No. 4 naturally gives rise to the possibility of disagreement and uncertainty with respect to particular statements and specific problems. If a registrant makes a filing stating accounts based upon principles for which it claims there is substantial authoritative support, there can readily arise arguments as to whether the claim for support is well founded.

The great variety of problems which come to the attention of the Commission almost daily demonstrates quite clearly that accounting is not a branch of mathematics like arithmetic or geometry and consequently as a practical matter cannot be made the subject of rigid rules. It is apparent that there are a number of matters concerning which not all of the accountants in this country agree as to treatment in financial statements. During the short period—some 15 months—that I have been Chairman of the Commission, some of these matters have been brought to our attention. For example, we have seen reflected in financial statements a variety of methods of accounting for stock options issued by corporations to their officers and employees; we have listened to arguments concerning accounting for emergency facilities part of the cost of which under our tax laws may be amortized over a five year period; we have had discussions—some practical and some academic—on departures from cost in the handling of depreciation and have declined a formal application to adopt a requirement that economic depreciation ((based on replacement at current prices) be reflected either in the accounts or by other appropriate disclosures; and more often than one would expect we have found it necessary to comment critically upon balance sheet write-ups especially when made concurrent with a public offering of securities.

We have also had to give consideration to filings of foreign companies offering securities for sale in the United States. The financial statements contained in such filings for the most part have been certified by independent accountants located in their respective countries. Here again the certifying accountants have not always agreed, either among themselves or with the accountants in this country, as to the basic principles underlying the preparation and presentation of the financial statements.

While it appears that, to some extent, accounting principles upon which financial statements of foreign issuers are based are derived from specific governmental requirements, usually involving tax considerations, it appears that some concepts of accounting which are not recognized in the United States are generally accepted abroad. For example, it has been represented to us that it is acceptable practice in the Netherlands in determining net income to base depreciation provisions on estimated replacement value rather than on historical cost.

Very real questions frequently are posed by the arithmetical impossibility of converting the result achieved by one method of accounting into the result which would have been achieved by the application of another method.

Differences of opinion among certifying accountants are not confined to the preparation and presentation of financial statements but are reflected as well in the procedures followed by them in auditing the accounts and records which form the basis of the financial statements. In this country compliance with generally accepted auditing standards requires that the auditor shall, whenever practicable and reasonable, be present at the inventory taking and by suitable observation and inquiry satisfy himself as to the methods followed, and shall confirm accounts and notes receivable by direct communication with the debtors. It is my understanding that these procedures are not mandatory in England or Germany and perhaps in other countries. I understand, however, that in those countries the independent accountant will not certify financial statements without having satisfied himself in some manner as to the credibility of the amounts shown for inventories and receivables. In this connection there was brought to my attention recently the following abstract from the "Diary of A Chartered Accountant" published in "The Chartered Accountant in Australia."[1]

"* * * a letter came in the other day from English associates covering the required audit of an Australian subsidiary. It was interesting to see the emphasis they placed on stock (inventory) verification at balance date and on the movement of stocks during the year * * * it is interesting to note how insistent they were on observation of physical stock-taking. My impression is that English practice is veering inevitably towards the American view on the point, though not to the extreme followed in the McKesson and Robbins case."

From the foregoing partial list of accounting and auditing problems with which the Commission is confronted, it is apparent that some degree of turmoil exists with respect to the financial reporting of domestic issuers, a situation which is present in somewhat greater degree when statements of foreign issuers become involved. As one prominent Netherlands accountant has summarized it, "When in a particular case one has to deal with a great number of countries the obstacles mount to such an extent that, in consolidating or compiling the various data, you feel as if you mix a cocktail of 'good old Scotch' and water from the canals of Venice."[2] However, when one considers the vast complex presented by the problems of industry, it is some comfort that the areas of controversy are relatively so small.

You can see that questions are presented to us in specific cases.

*An address by Mr. Demmler before the American Institute of Accountants, New York, N. Y.

1 Volume XXIV, No. 10, April 20, 1954, p. 727.

2 The Accountant, Volume CXXVIII, No. 4082, March 14, 1953, p. 299 (J. Kraayenhof).

Consequently, it is difficult to be specific in stating over-all policy.

The legitimate mutual interest of our people and the peoples of other lands in encouraging American investment abroad naturally suggests removal of needless barriers to the access of foreign issues to American capital markets. On the other hand in view of the availability to American investors of relatively attractive investment opportunities at home, they are in position to insist upon receiving in respect of foreign issues information similar to that which they receive in respect of domestic issues. Moreover, from our standpoint as a regulatory agency, an imposition of less complete disclosure requirements on foreign issues would lead to demand for a similar relaxation of requirements in respect of domestic issues. In other words, it is normal to expect that American companies will demand "most favored nation treatment" in their own country. This would be retrogression for which our Commission should not be asked to take responsibility.

Our legal requirements for disclosure, our high standards for independent accountants, our insistence upon sound accounting principles, and the requirement for the furnishing of the relatively voluminous statements and schedules have, over a period of 21 years, materially raised American accounting standards and have afforded a very real degree of protection to American investors. There was no absence of complaint about the inconvenience of all this. But the over-all result has been good. Consequently, the accounting standards which we have helped to evolve have in a sense become a part of the mores of the American capital markets. And, I think it fair to suggest that this fact is one which must be recognized by foreign enterprises which seek capital funds from private investors.

There are no magic formulas to solve the perplexing questions which I have mentioned tonight nor many of the questions which you will hear discussed next week. It may be that at some future date there will be debates on the same subjects at an International Institute of Accountants.

Accounting is basically a technique of reflecting financial facts The traditional free press in this country testifies to the belief that an organization of people does best when the people who compose it know the facts. Our Commission has loaned, and will continue to lend, its knowledge and legal support to those who help to develop better and more informative corporate accounting practices. It has goaded a good many stragglers into falling into line.

As we contemplate the place of sound accounting as a medium of information in the international movement of capital, I hope that there is general agreement with the philosophy of adequate disclosure which I have tried to espouse in these remarks.

Schwabacher Adds Two

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Malcolm McNaghten, Jr. and Thomas L. Schuette have been added to the staff of Schwabacher & Co., 600 Market Street, members of the New York and San Francisco Stock Exchanges. Mr. McNaghten was previously with Dean Witter & Co.

Witter Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — William C. Kennedy has been added to the staff of Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

"A Salute to the Chronicle"

By HUBERT F. ATWATER

An unsolicited testimonial received by the Publisher of this newspaper from one of its faithful admirers.

Too often we are accepting the help and advice of others without proper thanks, although we have in mind that sometime we will get around to it.

Take the *Commercial and Financial Chronicle* as an example. One of the first directives I received when I started to "learn the business" in the offices of Redmond & Co. in September of 1906 was to read the *Chronicle* regularly.

Hubert F. Atwater

The *Chronicle* then was a bound weekly, about 8½ x 14 and resembled the "Congressional Record" and the "Statist." Its tabloid form was to come later, but for $10 per annum the subscriber received not only the 52 weekly issues but 12 Bank & Quotation supplements, two semi-annual issues devoted to the coming electric generating industry, four Railroad Earnings Compendiums, and one American Bankers Convention issue. The front page of each *Chronicle* issue carried the cards of various banking houses under the heading "Bankers and Drawers of Bills of Exchange." It was a select company and I am proud of the fact that during the 20 years of my apprenticeship the card of my firm appeared there every week.

Since there was then no prescribed course of training in the Investment Banking field, whatever knowledge the student acquired came through doing, observing and reading.

The heaviest part of the training program, which usually lasted from two to four years, fell upon the "statisticians," so called, who were the predecessors and educators of our modern financial analysts. About 1900 a more general interest was being taken in the field of economics. Perhaps there were as many as 50 competent analysts engaged in financial circles at that time. In a broader field, we find Dr. Hadley still lecturing to students and only a few years earlier testifying on the adoption of the Interstate Commerce Act; with Dr. Daggett in his text book on Railroad Reorganizations acknowledging the assistance of "young Professor Ripley of Harvard University." Many of those analysts and economists whom we came to respect after the first World War were just about to start their careers.

Arnold Dana, a nephew of William B. Dana, had been the statistician at Redmond & Co., but left to become an editor of the *Chronicle*. His mark was in greater or less degree upon every one who followed him. He undoubtedly laid down the two rules, that we must read the *Chronicle* weekly, and the bond sales in the newspaper daily. Of greater influence was Arnold Dana's insistence upon thoroughness and the use of original sources. His office library included a full set of the *Chronicle*, and its predecessor, "Hunts Merchants Magazine," plus a very important collection of original texts. These included mortgages, indentures, leases, reports, etc., which we were required to read and compare with the summaries that the market afforded, and sometimes we discovered an error. I testified once that I had probably read 200 indentures, but I am sure this is an understatement.

The *Chronicle*, like Charles Anderson Dana's "Sun" (morning and evening) had an authoritative tone, believed in free enterprise, property rights, individual initiative, the Gold Standard, and the principles of the Republican party. When the "Sun" published its famous one line editorial the day after the election in 1904 ("Theodore! With All Thy Faults") the *Chronicle* was not far behind in its criticism of the Pujo Investigation and trust busting activities. The *Chronicle* editorials adhered to the capitalistic line and were vigorous.

The business office of the *Chronicle* was presided over by Mr. Morrison, later succeeded by his assistant, Bill Riggs. The printing plant, editorial offices and business office were in the same building, and it was the duty of these two to see that deadlines were met and all ran smoothly. For years, Redmond & Co.'s one page advertisement appeared opposite the first page of reading matter, the first Saturday in each month. Our competitors were jealous of this space, so whenever I was late in sending the copy there was always the threat that the paper could not wait. All I remember, now, is that somehow the *Chronicle* and our advertisement were on the subscribers' desks Saturday morning.

The present standard bearers of the *Chronicle* have inherited a respected and authoritative publication and will probably add to its stature.

In recent months the *Chronicle* has conducted a forum on the fiscal policy of the Administration, and has given many contributors space for their ideas. We find that there are almost as many recommendations to increase the price of gold as there are to adhere to a more conservative policy. We still are looking for ways of expending our income abroad, not only by means of loans as after the first war but also by direct grant.

We still tinker with the price tag on gold, the rate of interest, reserve ratio; but seldom think of convertibility and a sound dollar.

If we must we can add the debt and the money supply, then divide by the number of ounces of gold and get a price that will do just what Adam Smith said in 1776 was the course followed by every nation that embraces inflation.

Perhaps our Treasury will indicate in no uncertain terms that the price of gold will not be raised, but that every effort will be made to provide convertibility at the earliest moment, meanwhile reducing expenditures. It is time to admit that Christmas is over and the bills are due. We now may not be able to see this desirable conclusion in prospect, but can be assured that the *Chronicle* will as usual, present every opinion, and remain on the conservative side.

Singer, Beane Wire To Fewel on Coast

Singer, Beane & Mackie, Inc., 40 Exchange Place, New York City, have announced the installation of a direct wire to Fewel & Co. in Los Angeles.

Joins H. O. Peet Staff

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — George E. Winters, Jr. has joined the staff of H. O. Peet & Co., 23 West 10th Street, members of the New York and Midwest Stock Exchanges.

With Ball, Burge, Kraus

DAYTON, Ohio — Thomas I. Smallwood is now associated with Ball, Burge & Kraus, 120 West Second Street.

Now With C. A. Goodwin

SALEM, Ohio—Leonard Rotolo has joined Chas. A. Goodwin & Co., Masonic Building. He was previously with Zilka, Smither & Co., Inc.

Rensselaer W. Bartram

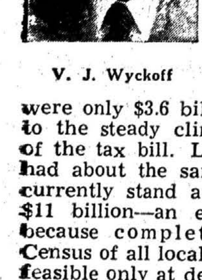
Rennselaer W. Bartram, Bartram Brothers Corporation, New York City, passed away at his home at the age of 80.

States Collect More Taxes in 1954

By V. J. WYCKOFF
Professor of Economics, DePauw University

Professor Wyckoff, in his review of state tax collections reveals that in addition to the $63½ billion collected in taxes (exclusive of Social Security) by the Federal Government, the states and municipalities will collect approximately $22 billion. Ascribes large part of rising tax collections to population increase, and expansion of governmental services. Gives figures of state tax revenue and amount paid per capita, and predicts total tax revenue will continue to increase, but Federal level of taxation will grow at greater pace than at the local level.

That taxes by state governments remain high is confirmed by a recent report from the Census Bureau which shows tax collections by the 48 states at a new high of $11.072 billion for fiscal 1954, half a billion more than in 1953. Although this is a preliminary figure, the final report will show very little change.



V. J. Wyckoff

To mention that before World War II state taxes were only $3.6 billion gives point to the steady climb of this part of the tax bill. Local taxes have had about the same history, and currently stand at approximately $11 billion—an estimated figure because complete coverage by Census of all local governments is feasible only at decennial periods.

The major item in the *total* tax figure is the Federal levy. With Federal tax collections of $63.5 billion in fiscal 1954 (excluding Social Security) it is difficult to recall that in the 1920's the figure got down to around $4 billion and was only double that at the outbreak of the World War in the fall of 1941. Federal tax revenue about doubled each year from 1941 through fiscal 1944.

Add the figures for each of the three levels of government and the grand total—if "grand" is the appropriate word—is $85.6 billion. This sum is too large to mean much to any of us, but on a daily basis it drops to about $236 million. Reduce this further to hours and then to minutes, it continues to remain startling: $163,000 was collected by the various governments in this country (Federal, state, local) every minute, every day during the 1954 fiscal year. Just tax collections by the 48 states were roughly $21,000 every 60 seconds.

There is at least one favorable aspect of these figures, namely that for the most part such vast sums of money though taken from the private economy (individual and corporate) remain in circulation in the United States for the most part and sustain our welfare. For instance, the property taxes collected by local governments are used to pay the mayor, policemen, school teachers, and to buy supplies for the municipality. These local public employees themselves pay taxes, and in spending the balance of their wages for shelter, food, clothing, medical care, and recreation provide local businessmen with income which in part goes again into taxes.

A similar circulation of state and Federal tax revenues can be traced. Thus, under current conditions, a big tax bill does not diminish the total flow of money, i.e., purchasing power, in this country.

But there is at least another aspect which must be kept in mind. The control over the spending of these billions of dollars passes from the private citizen and business firm to government officials. It may be argued that such officials are representatives of the public (the taxpayers), so what is the difference? The answer to this question involves details of analysis and an examination of political philosophies beyond the scope of this article. Probably the spontaneous answer is that most of us prefer to make our own decisions about how our earnings shall be spent. The wisdom of such decisions is another matter.

Effect of Population Growth

Part of the increase in the dollar tax figures can be traced to the growth of our population. This population factor can be removed by using per capita calculations which also facilitate intergovernmental comparisons. On a per capita basis our all-governmental tax bill for fiscal 1954 was about $538. In 1941, the last of the pre-World War II years, the figure was $113. For just state tax collections the respective amounts are $70 for 1954 compared with $27 for 1941.

The obvious comment on these figures which allow for population growth is that whereas state tax revenue increased 2½ times in a 14-year period, total levies of all governments increased fivefold weighted heavily by the great jumps in the Federal budgets. Not only are there more Federal services of the orthodox operational types, but there have been the World and Korean wars, and the subsidies of the quasi-welfare state.

There are a number of possible variations of correlating tax revenues with population. One could take just the adults who after all make up the tax-paying population. Or per capita figures could be multiplied by 3 or 4 or 5 to get an estimate of taxes paid by each family. Whatever statistical device is used, care must be taken in comparing the result with a known situation. For instance, a laboring man with a wife and four children is not paying $3,228 in taxes (6 persons x $538 per person); nor is a single man of great wealth confronted with a tax bill of only $538.

Per capita measurements of tax collections squeeze out or allow for the factor of changes in population, but do not eliminate the influence of price variations, an important consideration when comparisons over a number of years are made. In this case how much of the increase in the per capita total tax bill from $113 in 1941 to $538 in 1954 can be traced to higher prices, and how much, in contrast, to an expansion of governmental services?

Rise of Commodity Prices

The general answer is that the rise of commodity prices and wages from 1941 to 1954 has been very important in the fivefold increase in the per capita tax bill. Remove the price factor and the adjusted per capita sums become $294 for 1954 compared with $113 for 1941. In the main, this doubling of the 1941 sum has come from the armament expenditures by the Federal Government, though the cost of subsidies and other group-aid programs of Washington must not be ignored.

Even for state governments where national defense outlays are negligible, tax collections adjusted for population and price changes went from $27 in 1941 to $38 in 1954. This 40% increase must be ascribed in substantial part to quantitative and possibly qualitative increases in the services offered by state governments to their taxpayers.

The Tax Burden

When taxes are mentioned usually another word comes to mind: *burden*. Can tax burdens be appraised? Accurately and in every aspect, No. But one measurement can be made by comparing taxes with income used to pay those taxes. If my income changes proportionately with my taxes the *burden* remains the same dollar-wise, though probably I shall talk about high taxes and forget the parallel change in income.

Net national product (NNP) is a pretty good point of reference for this purpose. NNP is the dollar market value of the net output of goods and services produced in the United States within a year (or shorter time period) avoiding double counting. Or it can be thought of as comprising "the purchases of goods and services by consumers and governments, net private domestic investment, and net foreign investment." NNP differs from national income in including indirect business taxes, plus and minus a few minor items.

In 1941 total taxes (Federal, state, local) were 12.8% of NNP. During World War II they rose to 25%, and currently are about 26%. (These calculations exclude Social Security levies.) Again the weight of Federal outlays for armaments and peacetime subsidies of various kinds can be seen by reference to state tax collections which are relatively uninfluenced by such expenditures. In 1941 state taxes were 3.1% of NNP; in 1954, 3.4%. Thus the "burden" of state levies on their residents has remained about the same during the past decade and a half.

Is the total tax load (26% of the net national product) too heavy? There is no satisfactory answer to this question. An increasing proportion of our families have real income at or above the minimum comfort standard of living. (The median spending-unit money income before taxes is about $3 500.) Business taxes have been and are high especially on net incomes, but are far from being confiscatory.[1] On this subject of "too heavy" I am inclined to ask myself what our taxes would be in a long, draining war, or what an enemy could levy on us in reparations. With this point of view in mind one can admit that we have a tax burden, but it is a necessary and bearable burden of a free people.

Sources of State Tax Revenue

A good idea of the major sources of state tax revenue can be obtained from Table I which also gives data for 1941 (the last pre-World War II year), for the global war year 1944, and for last year, 1953. It will be noticed that a number of the tax bases itemized in Table I are also used by the Federal Government, and some have been tapped by local governments. Income taxes are being levied to an increasing extent by cities in Pennsylvania, Ohio and California, and local officials in many states are trying out taxes on retail sales, tobacco products, admissions, motor fuels, and various businesses.

Table I also shows that from 1953 to 1954 the absolute dollar increase in state tax collections was 4.9%. This increase was more than population growth. During the same 12 months prices remained virtually unchanged, and net national product even declined a few billion dollars. One must conclude, therefore, that state tax levies have become relatively somewhat more burdensome during fiscal 1954.

This is rather disturbing because even with heavier taxation many states are unable to balance their over-all budgets. In fiscal 1953 (the latest year for which full financial data on states are available) the 48 states as a group had general expenditures of $14.7 billion against taxes of only $10.6 billion. Even on a state-by-state basis not a single state covered its general expenditures with just taxes, and 23 states found their respective total revenues (taxes, Federal aid, charges and miscellaneous income) inadequate for general outlays. As a result the 48-state debt total continues to grow.

These financial woes are not restricted to the states. The plight of our Federal government is well known. It has had administrative budgetary deficits each year since 1931 with three exceptions: 1947, 1948, and 1951. Nor are local governments as a group better off. A recent report of Census gives an estimated tax collection total for fiscal 1953 (the latest year) of $10.2 billion against direct general expenditures of $18.6. The 481 cities having more than 25,000 inhabitants (1950 census) took in $3.8 billion in taxes, but had general expenditures of $5.7 billion; aid from state and Federal sources plus charges and miscellaneous items were necessary to bring an almost balanced account for the 481 cities as a group.

The natural result of such financial pressures has been to force responsible public officials on each level of government to find more revenue through increasing tax rates and establishing new taxes. This has led, of course, to double and multiple taxation because tax bases untouched by any governmental unit are difficult if not impossible to find. There usually is a Federal or inter-state commission working on this matter of intergovernmental tax allocations, but with little success for far. The Federal government, hard pressed for funds, shows no inclination to withdraw from the income tax and excise fields which together bring in about 90% of its tax revenue. State sovereignty remains a touchy subject leading to some inter-state arguments over tax preserves to say nothing of the common resistence to further "encroachments" by the Federal authorities.

As far as local governments are concerned, they in law and in fact are creatures of their respective states. And although some local units have been given leeway in tax matters, for the most part state legislatures tell county and municipal officials what taxes may be used. This dependency of local governments upon state action offers an easy way out of local financial strains,—namely, state aid even though it carries state supervision to some degree. Whatever the finer points may be, the ultimate responsibility of states for the economic welfare of their own local governments certainly suggests that local fiscal autonomy will continue to shrink.

Inter-State Comparisons

It is natural for a person to be interested in his tax bill as compared with residents of other states. Some information on this will be offered, but warnings must be posted about statistics on inter-state taxation.

Even though per capita taxes may be higher in state A than in many other states, the residents of state A may be receiving more and better services in the form of roads, education, safety, welfare, etc. On the other hand a low state tax load does not necessarily mean inadequate services because quite possibly the local governments rather than the state are taking care of certain basic functions. If, however, per capita state and local taxes are high with total governmental services of poor quality, then taxpayers' protests are in order. If the total tax bill is low, then the citizens probably are receiving services inadequate in quantity and quality, unless they are blessed with a cost-conscious, efficient group of public servants.

For comparative purposes only a few states can be listed in this article, and I have chosen the five with the highest and lowest per capita tax collections.

1954 Tax Collections Per Capita

Five highest states—	
Delaware	$117
Washington	108
Louisiana	102
California	102
New Mexico	100
Five lowest states—	
Mississippi	$54
Alabama	51
Nebraska	47
Kentucky	47
New Jersey	39

Last year Washington topped the list followed by Louisiana, California, New Mexico, and Nevada. New Jersey again had the lower per capita state tax collections, and the next four higher states were Nebraska, Kentucky, New Hampshire, and Missouri.

Forty-two states reported higher total tax collections in fiscal 1954 than in 1953, the bulk of them with gains less than 10%. Delaware showed an unusual increase, 64%, accounted for by marked gains in individual income tax revenue and death duties. The declines for the six states were minor, Idaho with the largest drop, 3%.

There are many more details in the preliminary report on state tax collections in 1954 which may be obtained from Census, or one can wait for the definitive *Compendium of State Government Finances in 1954* which will contain full revenue, expenditure, and debt figures for the states as a group and individually.

What of the Future?

To quite an extent an answer to this question about the future involves crystal ball gazing. However, let me offer two forecasts: First, total tax revenue will continue to increase even with adjustments for population growth and price changes. Second, the rate of growth will be greatest on

Continued on page 38

[1] Once the deficit years 1931-1933 were out of the way, corporate profits after taxes showed a distinct upward trend from $977 million in 1934 to $22.8 billion in 1950, though 1938, 1945, and 1949 had profits somewhat below the trend line. Since 1950 corporate profits after taxes have been between $17-19 billion.

TABLE I

State Tax Collections, by Major Sources: 1954, 1953, 1944, and 1941

TAX SOURCE (And No. of States Using Tax in 1954)	TAX COLLECTIONS —(Amounts in Millions)— 1954	1953	1944	1941	% Change 1953 to 1954	% Distrib. 1954
General sales and gross receipts (32)	$2,536	$2,433	$721	$575	4.2	22.9
Motor fuels (48)	2,223	2,019	685	913	10.1	20.1
Alcoholic beverage sales (48)	463	465	267	216	—0.6	4.2
Tobacco products (41)	464	469	160	106	—1.1	4.2
Motor vehicle and oper. licenses (48)	1,094	1,012	394	434	8.0	9.9
Indiv. and corp. net income (31,33)	1,776	1,779	762	492	—0.2	16.0
Property (45)	380	365	247	268	4.0	3.4
Death and gift (47)	247	222	112	118	11.2	2.2
Severance (25)	312	286	71	53	8.9	2.8
Other tax sources	1,577	1,502	646	501	5.0	14.3
Total state tax collections	$11,072	$10,552	$4,065	$3,606	4.9	100.0

REFERENCE: "State Tax Collections in 1954" (similar sources for prior years), Bureau of the Census, Washington, August 28, 1954. The figures in parentheses after each tax source indicate the number of states using this particular tax base in fiscal 1954; 31 states taxed individual net incomes, 33 taxed corporation net incomes. The Social Security taxes are not included in this table.

Past Year Period of Successful Transitions

In the 1954 Annual Report of the Bank of the Manhattan Company to shareholders, Chairman J. Stewart Baker pointed out that though the past year has been marked by a period of mild recession in economic activity, accompanied by a slackening in the demand for bank credit and by a reduction of interest rates, conditions during the period furnished a demonstration of the inherent strength of both business and the banking structure.

J. Stewart Baker

"For the nation as a whole, the past 12 months have been an historically important period marked by many difficult transitions. It is indeed a tribute to the inherent strength of our business and banking structures that at a time when government expenditures were being reduced and the huge backlogs of demand, accumulated during the restrictions of wartime, were being exhausted, the nation experienced only a small contraction in overall economic activity, only a modest increase in business failures and only a moderate increase in unemployment," Mr. Baker stated.

"Much credit is due to the Federal Reserve and United States Treasury authorities for having administered their affairs with outstanding statesmanship. There was a much needed contraction in Government outlays which was accompanied by a stimulating reduction in taxes. The Federal Reserve authorities, in realigning member bank reserve requirements to lower levels, provided for greater reduction for Central Reserve City Banks than for banks in other cities, thus further reducing the discrimination under which New York City and Chicago banks have labored for some time. Actions such as these provide reason for hope that monetary and fiscal policies will continue to be vital, stabilizing factors in our economy and that the Government will guide its actions so as to provide an environment favorable to the great growth potentials of our country."

Continued from page 2

The Security I Like Best

in cobalt-nickel-chrome base alloys which are also required in the manufacture of high temperature, high strength materials such as applied to jet aircraft engines.

Also, a promising new field for the use of nickel appears in the expanding electronics industry. While the quantities of nickel alloys in individual components of electronic devices are small, production of such devices is very large. In the past year, 7,000,000 pounds of nickel were used in this industry.

INCO expansion has been made possible by brilliant metallurgical developments, and by the farsighted vision and long-term planning of the management. Continuous research is carried on to counteract increasing production costs and to develop new or improved products to widen the usefulness of nickel.

Research has played a major part over the years. Much money has been spent and great rewards have resulted. Many new uses have been found for INCO products; new products and new and improved metallurgical processes have been developed. A new development recently completed is a 10-year cooperative research program with aluminum alloy producers which developed a nickel-plating that bonds so strongly with aluminum alloys that the composite materials may be drawn and later finished with chromium plate. New markets are expected in the plating of aluminum appliances and furniture when nickel becomes more freely available.

A good portion of earnings in recent years has been used to convert operations from part-surface, part-underground production to a completely underground operation. As yet, the complete conversion has not taken place because the huge Frood open pit is lasting longer than had been expected. Since the beginning of INCO's underground mining expansion to the end of 1953, $170,000,000 has been spent in capital expenditures, and the 1954 expenditures will exceed $30,000,000. In September of 1953, it was announced that $16,000,000 would be spent on a pyrrhotite plant which will recover nickel values from low-grade concentrates, and at the same time produce a by-product of high grade iron ore, representing the first time that a commercial use has been made of the high iron content in nickel ores. This is the first unit in an operation which will ultimately recover about 1,000,000 tons of high grade iron ore a year. A new process developed by the company to yield this iron ore now makes possible the treatment of lower grade ores hitherto considered uneconomical.

Notwithstanding the new high levels of production and the enormous tonnage already taken from its mines, INCO's proven ore reserves now stand at the highest point in the company's history—a very fortunate position, and one that is seldom enjoyed by mines that have operated as long as INCO. At the end of 1953, the company reported 261,541,000 tons of ore, with nickel-copper content of 7,817,000 tons. Compared with Dec. 31, 1929, figures of 202,620,000 tons of proven ore containing 6,927,000 tons of nickel-copper. Over the past 25 years, the company has supplied the world with nearly five billion pounds of nickel, over five billion pounds of copper, and over five million ounces of the platinum metals. From 1929 through 1953, a total of 187 million tons of ore was mined.

The favorable ore position has been accomplished by continuous exploration on its known deposits and other parts of the Sudbury, Ontario, basin where its five large mines are located. These are the Frood-Stobie, Creighton, Garson, Levack, and Murray, and also the Frood open pit. In 1953, ore resources were increased by 18,852,000 tons; 5,185,000 tons more than were mined during the year. There are 14 operating shafts in the underground mines, and the total underground development amounts to more than 352 miles.

Smelters and refineries are at Copper Cliff, Ontario; Port Colborne, Ontario; and Clydach, Wales. A precious metals refinery is operated at Acton, London, England. A foundry is located at Bayonne, N. J., and a rolling mill at Huntington, W. Va. Other rolling mills are at Birmingham, England; and Glasgow, Scotland. The Copper Cliff smelter is the largest of its kind in the world. All told INCO has over 27,500 employees, 70% of whom are in Canada, and whose wages are among the highest in all Canadian industry.

Nickel is alloyed with other metals, principally copper, aluminum, and iron, where hardness, toughness, corrosion-resistance, and many other improved properties are required. The great corrosion-resisting alloy series of stainless steels are universally known and used.

The major part of the company's nickel output is sold in the United States. Primary nickel and mill products made of INCO nickel alloys are sold both direct and through distributing warehouses in 31 cities. These distributors, all independent companies with the exception of Whitehead Metal Products Company, Inc. (which is a subsidiary company), give warehouse service in the various geographical areas in which they operate. They are essentially metal distributors, selling not only INCO products but also other metals and metal specialties. A similar distributing system is in effect in Canada, where one, Alloy Metal Sales, Limited, is owned by INCO, and also in Latin America, where there are six distributors.

Refineries turn out nickel as oxide (sinter) and electrolytic cathodes, nickel-copper-chromium-iron pigs, nickel-copper shot and ingots; nickel-chromium-iron pigs; and as pellets and powder. Copper as electrolytic cathodes, wire bars, cakes, billets, and ingots. Cobalt as oxides and salts. Iron powder, gold, silver, selenium, and tellurium; platinum; palladium, iridium, rhodium, and ruthenium.

In addition to the Sudbury Basin, INCO is actively aggressive in geological exploration elsewhere in Canada and throughout the world. Extensive exploration has been done in Manitoba and Northwest Territories in Canada. Recently, an important copper-lead-zinc discovery was made in New Brunswick, Canada, by the American Metals Company. INCO has a 25% interest in this project. This is said to be a big and rich base metal find. From information already obtained, the find stacks up as one of the highest grade big tonnage base metal finds in Canada. A reflection of this discovery has accounted for part of the sensational advance in the price of American Metals Company shares on the New York Stock Exchange this year.

In 1953, the company's exploration work was both more extensive and more widespread than in any previous year. Prospecting efforts cost $6,084,742, compared with $4,967,450 in 1952, said to be the largest expenditure for exploration in any year by any mining company in Canada.

Net sales have increased from $182,806,542 in 1949 to $338,579,995 in 1953, and operating profit before reserves and taxes increased from $60,609,692 to $117,369,902. Net, after reserves and taxes, was up from $32,252,314 to $53,694,526, or from $2.08 per share in 1949 to $3.55 per share in 1953.

For the first nine months of 1954, sales were $262,655,664 against $254,950,475 in the same period in 1952. Costs were about the same and taxes were $2,686,882 lower, which resulted in net earnings of $47,430,561, compared to $41,252,680 in the 1952 period. These net earnings were equal to $3.15 per share for the period as against $2.72 per share in the nine months of 1952.

Dividends are being paid quarterly at the rate of $2.00 per year, with extras in the final quarter of each year. In 1953, 35 cents extra was paid, and recently a declaration was made of 90 cents extra for payment along with the regular quarterly dividend payable Dec. 20, 1954. The yield at present price of 55 U. S. Funds based on 90 cents extra dividend is 5.25%. Dividends are paid in United States funds less the 15% Canadian withholding tax. This tax is deductible against U. S. Federal income taxes, payable by the American holder.

Now that the major portion of the swing-over from surface to underground operation has been made, less capital expenditures should be required over the next few years, and it is reasonable to assume that the major percentage of earnings may be released for increased dividends to the stockholders. Certainly a $3.00 to $3.25 basis including extras might be anticipated, with current earnings running well above $4.00 per share annually.

Working capital stands at the highest point in the company's history, notwithstanding the large demands that have been made upon the company in the gigantic task of converting to full underground operation. At the end of 1953, working capital stood at $190,705,165, compared with $66,000,000 at the end of 1939. Total assets stood at $430,000,000 at the end of 1953 after write-offs of $197,000,000, compared to $261,000,000 after write-offs of $63,500,000 in 1939. During this period, no increase has been made in the number of shares outstanding, nor has any funded debt been created; yet, the average selling price of the common stock was 51½ in 1939, compared to current levels of 55. In 1937, the shares sold at a high of 73.

Considering the tremendous ore reserves, the present and future demand for nickel, and the potential of world-wide exploration, we feel that International Nickel of Canada, Ltd., at current levels of 55 offers better than average high grade common stock investment, together with attractive growth possibilities.

FINANCIAL RECORD OF INT'L NICKEL CO. OF CANADA, LTD.

Years Ended Dec. 31—	1953	1952	1951	1950	1949
Net sales	$338,579,995	$314,228,747	$286,785,241	$228,071,346	$182,806,4[illegible]
Net operating profit	115,039,253	116,972,548	124,930,069	86,980,227	60,609,69[illegible]
Reserve for taxes	43,945,837	43,598,993	48,148,718	27,597,615	17,975,0[illegible]
Deprec. and depletion	12,854,560	10,461,433	9,080,607	8,963,574	8,195,0[illegible]
Net profit	53,694,526	58,891,282	62,875,571	48,765,849	32,252,31[illegible]
Earned per share	$3.55	$3.91	$4.18	$3.21	$2.0[illegible]
Paid per share	$2.35	$2.60	$2.60	$2.00	$2.[illegible]
Working capital	190,705,165	178,005,866	165,948,466	150,329,694	137,413,8[illegible]
Price range	46¼-33½	48¾-40⅛	42⅝-35½	39½-29½	36 -29
Price range 1954 to date:	54¼-34¾				

Capitalization: P.d., $27,627,825 of $100 par value; com., 14,584,025 shares of no par value.

New Opportunities for a Liberal Foreign Trade Policy

By ALLAN SPROUL*

President, Federal Reserve Bank of New York

Asserting, if we are to move ahead in foreign trade, we must adopt a more liberal trade policy, despite the economic pressures which might be placed on some localities or some industries, the President of the New York Federal Reserve Bank attacks trade restrictions and other impediments to international commerce. Points out improvement in economic conditions in many foreign countries and the progress made in attaining currency convertibility and greater private American investment abroad. Holds there are some things our government can and should do to promote foreign investment, and the twin goals of currency convertibility and non-discriminatory trade relations are still attainable.

I am sure that you are all aware that my role as Chairman of the National Convention Committee of the Foreign Trade Council is tinged with fraud. I have lent my name to the Committee, but my name is of little value except to me. I welcome you to this city and to these meetings, but your real welcome comes from your directors and officers who have made all of the preparations for your comfort and convenience and, perhaps, for your enlightenment. If I am to make amends for the fraudulent quality of my role, it will have to be by honesty in speech.

Allan Sproul

Given the theme of this Forty-First Annual Foreign Trade Convention, I could do no less in any case. If we are to address ourselves effectively to the general proposition that "expansion of world trade depends on international good-will and integrity," we must be temperate but honest in our assessment of our own problems and those of our trading partners throughout the non-Communist world.

This is not always easy. The pressures of personal and group interests tend to warp the views of all of us, no matter how hard we may try to be objective in our approach to the complicated problems of international trade and finance. And the temptation is always present to tell the other fellow—or the "foreigner"—what he should do to conform to our ideas of what is just and reasonable.

I hope, therefore, that you have all been inspired, as I have been, by the truly tremendous developments in the international political sphere during the past several weeks. In a brief space of time, and hoping and assuming as we must that the various parliaments will approve what has been done, even though the debates may be sharp, we have seen what appeared to be a complete breakdown of all or most of our plans and hopes for Western Europe and the North Atlantic Community converted into a great foward step. Age-old enmities on the continent of Europe appear to be on their way to amelioration or solution, commitments have been made by Great Britain which reverse the policies of more than a century, our own nation is widening and broadening its role of partner in world affairs in a way that must help to bury whatever latent isolationism still exists, and Russian attempts to promote division and suspicion among the Western powers have been checked.

These historic developments should put a new charge of enthusiasm and courage into our attack on the economic problems which beset our world. What has been achieved in the political sphere by goodwill and integrity, and by facing the stubborn facts of a difficult situation, should make it less possible to continue to view our economic problems with such narrow perspective that caution is always preferred to daring, and the tortoise is taken right out of Aesop as the emblem of progress. I am neither proposing nor predicting a dash for free trade by the United States, nor a dash for convertibility by the United Kingdom, nor a dash by any country or group of countries away from the practical problems and real risks of commercial and financial decisions. I am saying that, in the face of this giant stride forward in our political affairs, we should proceed with better heart and greater urgency to examine critically, and with awareness of the need for mutual adjustments, the impediments and obstacles which have slowed down progress in achieving our international economic objectives.

I hope I shall not be misunderstood if most of my remarks seem to have reference to the United States, the United Kingdom and Western Europe. There will be no disparagement of the importance of our neighbors in the American continent, nor of Asia and the Middle East in such a presentation. It will represent, merely, a personal belief that the fundamental problems of international trade and finance, affecting all of the free nations, will respond most quickly to treatment at the nerve centers of trade and finance.

Our Basic Foreign Trade Objectives

What have been the basic objectives of our foreign economic policy since the end of World War II? First we addressed ourselves to the relief of individuals and groups of people stricken by war — an outlet for our sound humanitarian instincts. Then we embarked on a program of economic aid to national units to help restore productive capacity and trading relationships destroyed or distorted by war—an act of enlightened self-interest. More recently the emphasis has been on military aid to our friends abroad, with whatever economic benefits might accrue—a necessary response to the menace of a totalitarian and apparently hostile force which is loose in the world. We also participated in an attempt to set up an international trade organization — an evidence of awareness that good international economic relations rest, at bottom, on good trade relations. By trying to do too much, by trying to cover countries in all stages of economic development with one set of rules, and by trying to harmonize international equilibrium and domestic stability by international agreement, this attempt courted and achieved failure. It did throw off, as a by-product, the General Agreement on Tariffs and Trade, however, which may bear the seed of greater international collaboration on trade matters and which already has some successes to its credit. As you know, an important meeting of GATT is now being held at Geneva, Switzerland, with United States representation. It is to be hoped that this meeting will have constructive results which will recommend themselves to the United States, as well as to the other participants.

And almost throughout these postwar years there has been recognition of the need to help the so-called underdeveloped countries improve their economic condition and performance — a recognition of the fact that multilateral trade concepts which rest too largely on a species of specialization which tends to freeze existing differences of skills and

Continued on page 40

*An address by Mr. Sproul before the 41st Convention of the National Foreign Trade Council, New York City, Nov. 15, 1954.

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market made history, at least statistically, this week when the industrial average punched decisively through the high water mark on record. In toppling the fabled 381.17 mark set a quarter century ago on Sept. 3, 1929, the industrial average broke out into uncharted territory that set up a lively debate over where, and when, the advance will end. There is little agreement on that, however.

* * *

There was little fanfare over the feat. In fact, the chore was done largely by a couple of issues, notably Du Pont and Standard Oil of New Jersey, with gains of past four and three points, respectively. As a matter of fact, only five of the 30 components of the Dow industrial average made the new highs list for 1954 when the break-through occurred. For some the previous peaks were several points away ranging to gaps of more than half a dozen points for Chrysler, American Can, Standard Oil of California, Union Carbide and Allied Chemical.

* * *

Contrasts With 1929

Contrasts with the period in 1929 when the previous all-time high was set are vivid. The cats and dogs and the secondary issues all swept forward then, while the present peak was made on an ultra-selective basis with the advancing issues holding a somewhat slim 100-odd lead over those that did nothing or declined. It was a historic market from another angle, too, because the 1271 issues that traded in the second session of the week comprised the broadest market ever recorded.

* * *

Another indication of the selectivity is the fact that the rail average reached a level that was the highest since 1930, but more than 50 points below the 1929 pinnacle while the utilities are even more laggard and failed by almost a dollar to even post a new high for this year.

* * *

Failure to Talk Market Down

To achieve the break-through, the industrial figure has soared in an almost steady uptrend since September, 1953 during which it covered more than 125 points. Since the pronounced pickup in interest and speed by the bull market following the Elections, almost 30 points have been added in the short span of three weeks. In fact, the speed of the ascent has generated much caution in Wall Street both because the market's enthusiasm might be creating excesses that would lead to a correction and because of fears that government controls might be attracted to the scene because of the boiling markets. Not to mention the consternation among the rather large group of short sellers who thought long ago that the market was high enough. Some of the many rumors of outside intervention had all the earmarks of being an attempt to talk the market down since there was little of a factual nature to bolster them.

* * *

Apart from the handful of blue chips that have been carrying the industrial average, issues in the list that stood out were largely those tied in with dividend action. Houdaille-Hershey's rapid deterioration followed omission of its dividend which, in a matter of minutes, had assured an appearance on the new lows list with a price that was about as poor as any recorded in the last three years. This issue is another good illustration of the divergent market of the last few years. It sold roughly double the best of this year back in 1946, a year after recapitalization. There was no bull market for it even before the dour dividend action.

* * *

For the aircrafts, good dividend action seems to be a selling signal and somewhat sharp retreats on the news have been the rule. Apparently investment sentiment isn't overly convinced that the present prosperity for at least the airframe makers is very durable.

* * *

Textiles and Cements in Limelight

The long-depressed textile section shared a bit of the limelight this week, notably Lowenstein where good dividend action and a split were rather widely anticipated well in advance of the event. The issue, consequently, posted the best price recorded since a 25% stock split in 1950.

* * *

Cement issues have continued to make progress with Penn-Dixie and Lone Star, making rather persistent appearances on the new highs lists, occasionally accompanied by Lehigh Portland. A rather large body of investment opinion has veered to these issues as the ones to be favored all next year in view of the large demands of the construction industry, and the issues have reflected this popularity fully.

* * *

Automotive shares continue to be something of a puzzle, Chrysler and General Motors alternating in good strength as the traders blow hot and cold over the new cars. The independents, however, have had little in the way of a following, with Studebaker-Packard sinking into new low territory since the merger, while American Motors, formerly Nash and Hudson, has been a refutation of the boiling bull market and has been far more prominent toying with its lowest price on record.

* * *

Steel shares, chilled a bit as the rebound in operations stalled this week, nevertheless continue to acquit themselves well, U. S. Steel, in particular, has been able to forge into new high territory with conviction, but it is one of the issues that has still failed to better its all-time peak of 1929, which is equivalent to some 20 points away on the present stock which was split in 1949.

* * *

A New Sprinter

Pennsylvania Glass Sand was a newcomer to the list of the sprinters, again a case of good dividend action well anticipated in advance. This issue is more in tune with the story told by the industrial average since it has doubled in price since its 2-for-1 split in 1950 and is in historically high ground.

* * *

Oil issues were a surprise generally by stepping out smartly to accompany the averages on their classic break-through. Gains of sizable proportions were achieved by the entire division with more unanimity than any other group, including multi-point jumps by such staples as Cities Service, Ohio Oil, Pure Oil, California Standard and Houston Oil, the latter indicating advance knowledge of a plan to spin-off various properties. Even Sunray, which has stubbornly resisted the upward pull of the bull market for a discouragingly long period, finally came awake enough to appear on the most-active roster and join the issues making new highs.

* * *

Apart from DuPont, the chemical section has been somewhat lacklustre. Both Allied Chemical and Monsanto showed a disposition to slip backward even in the midst of all the enthusiasm and American Potash, which had a whirl recently, calmed down rather abruptly. As a group, the chemicals are as much off their year's highs as any other division.

* * *

TV's Gag

Televisions, too, are a neglected group. Despite the impending holiday season, which normally is a powerful spur to sales, the issues in this section have been considerably short of dynamic. For example Zenith's occasional runups have been pretty well whittled away in short order subsequently.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

With John G. Kinnard Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Harry C. Ervin, Jr., is now with John G. Kinnard & Co., 133 South Seventh Street.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn. — Arne A. Wellin is now with State Bond & Mortgage Co., 28 North Minnesota Street.

Bache Adds To Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Geraldine W. Ligon has been added to the staff of Bache & Co., Dixie Terminal Building.

With Crowell, Weedon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harrison F. Anderson has become connected with Crowell, Weedon & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange.

2 With McCoy & Willard

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Constance Coulopoulos and Lillian C. Luderer are now associated with McCoy & Willard, 30 Federal St.

Davidson Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

MODESTO, Calif.—Joseph W. Alexander has been added to the staff of Davidson & Co., Hotel Covel Lobby.

America's Stake in World Trade

By HOBART C. RAMSEY*
President, Worthington Corporation

After giving what he termed "sufficiently compelling reasons for expanding our foreign trade operations," Mr. Ramsey lists obstacles to this goal as tariffs, taxes, discriminations, and lack of currency convertibility. Asserts, despite obstacles and harassments involved in foreign trade, an increasing number of businesses are looking across national boundaries to invest and to establish plants and facilities abroad. Points out this movement is aiding the economy of foreign countries, and is a private "Point Four Program."

Foreign trade is vital to our economy. Some 3,000,000 Americans owe their jobs to exports. Our export trade amounts to 5% of our national output, but because of the nature of this trade and its relationship to our domestic economy, its importance is much greater than the figure of 5% would indicate.

Hobart C. Ramsey

As for imports, the plain truth is that we as a nation cannot live without them. We are increasingly a "have-not" nation in many fields. Although we are constantly searching for substitutes, we still depend on the outside world for all of our tin, mica, asbestos and chrome, virtually all of our nickel, cobalt and manganese, two-thirds of our bauxite, more than half of our lead and nearly half of our copper. Our stainless steel, for example, requires nickel from Canada and chrome from Turkey.

Need For An Expanded Foreign Trade

I believe that our foreign trade and our foreign investments should be much larger than they are. An expanded foreign trade would undoubtedly be of substantial help to our foreign policy and would strengthen the economies of our friends and allies abroad. I believe that the importance of these considerations is generally accepted today. In addition, foreign trade is important to us strictly from the viewpoint of American business.

While I do not overlook the difficulties which may be encountered I can think of at least five sound business reasons for expanding our foreign trade and our foreign investments:

First, there is business to be had abroad—good business—and American businessmen ought to be getting their share. After nearly a decade of postwar reconstruction, the major countries of the free world are achieving a substantial measure of economic stability, increasing their production and purchasing power. At the same time, important progress is being made in promoting the economic development of other nations. In the long run, huge markets remain to be developed abroad. Today, 160 million Americans absorb more than one-half the world's manufactured goods. **The other half is divided among some 2 billion people.** These figures suggest the almost limitless opportunity in the years to come.

Second, foreign trade can yield a very good return on investment. At present the yields here at home are so attractive that corporations and investors are slow to look abroad. This could change as business conditions here become more sharply competitive.

This leads to my **third point**, which is that pressure is rising for new outlets for investment. Funds are flowing into financial institutions at an enormous rate today. Nearly $350 million a month goes into insurance companies alone. To the extent that U. S. plant expansion may slow down, foreign investments offer an atractive alternative outlet for American capital.

Fourth, overseas operations provide an excellent training ground for young Americans. If the United States is to play its most effective role in world commerce it needs to draw upon the talents of more and more men and women who have worked abroad. It has certainly been my experience—and I'm sure that executives of other companies have found the same thing—that a young man who is being groomed for top responsibility in a corporation will benefit from the independence of responsibility which he can get overseas. It also gives the home management a chance to evaluate the man's capabilties in an independent command before a decision is made to put him in a top job here in the United States.

A **fifth** and final reason why American companies should expand their foreign operations is that we face increasingly stiff competition abroad. Even to keep our present share of trade, we have to hustle. The seller's market for U. S. products has already started to fade, as England, Germany, Holland, Belgium and other countries intensify their efforts to get new customers. If we do not expand our foreign operations, we stand in danger of losing some of our present markets as well as important future ones. Soviet trade with Europe has expanded in the past year. This is no time to sit back and expect business to come to us.

Walter Lippmann recently observed: "The great underlying fact is that Western Europe, which was prostrate in 1946, is again the seat of great powers able to play their part in the world." He points to the fact that Europe—contrary to all expectations—was not affected by America's brief recession, but on the contrary has been having a boom.

I am sure that you will agree with me that these are sufficiently compelling reasons for expanding our foreign operations. The question now arises "What are the difficulties which lie before us and how do we overcome them?"

Function of Government

Modern American businessmen have no lack of tough resourcefulness or enterprising spirit. American traders since before the days of Yankee Clippers have been symbols of vigorous, competitive ingenuity in world trade. Our 20th Century businessmen have these same qualities in even greater abundance today.

But, under the present conditions of managed currencies and nationalistic controls, the private businessman alone cannot bring about the improvements that are needed in world trade. If our private foreign investments abroad are to be increased, if our foreign trade is to be stimulated both for economic reasons and for reasons of foreign policy, cooperation will be required from our own Federal government, as well as from the governments of foreign countries.

Tariffs

May I say at this point that while American tariff barriers are commonly regarded as one big obstacle, I sometimes wonder whether this opinion doesn't need some qualification. Eugene Holman, Chairman of the Board of Standard Oil Co. (N. J.) said not long ago:

"Statements made both here and abroad sometimes give an impression that there is only one roadblock, namely U. S. tariffs. All would be well, some contend, if our tariffs were reduced or eliminated. This is a most unfortunate simplification. In my opinion, these tariffs are only a small, though important, part of the whole problem. Our government, other governments, and businessmen here and abroad each must develop and implement more liberal and constructive policies in several fields before international trade and investment will make their potentially greater contribution."

Unshackling Foreign Trade

What are some of these more liberal and constructive policies that can help remove the other road blocks? I think American business has much to gain by constantly emphasizing, for its own benefit and for the benefit of both government and the public, these positive steps which can be taken.

(1) Tax Relief

One positive action, is tax relief on earnings from abroad. As you know, American companies with overseas operations are subject to double taxation in many situations, paying heavy taxes abroad and then another tax when earnings are brought here. Ironically, the American tax not only discourages companies who want to develop business abroad, but is not even a good revenue-producer for the government. The Randall Commission urged tax relief on foreign investments and I believe this recommendation deserves strong support.

(2) Export-Import Bank

Another stimulant our government began applying just last week is the expansion of the Export-Import Bank's lending operations. Under the new program an exporter will be able to arrange a "line of credit" to help finance up to as much as $10 million of unpaid balance on foreign orders. Let's suppose that a Latin American country wants to buy from an American manufacturer the equipment needed for a 5,000 kinowatt power station. This plant will contribute greatly to the economic welfare and development of the country in question, but the purchaser cannot buy it unless he is given five or six years to pay. Few American companies are in a position to extend this kind of credit. If, however, the Export-Import Bank underwrites 60% of the financing—as provided under the new plan—the deal can be consummated to the benefit of both seller and buyer.

I am aware that some of my colleagues in the business world would regard this sort of thing as too much business dependence on government. I sympathize with their general point of view, but it seems to me quite proper and legitimate for our government under present world conditions to give this kind of backing to American enterprise abroad. Under these liberalized terms American industry is going to be able to reach out into greater markets and also be of greater assistance to under-developed countries.

(3) Repatriation of Earnings and Capital

I think, too, that our foreign trade would be greatly stimulated if the United States were to negotiate more bilateral treaties with foreign nations to permit remittance of earnings, repatriation of capital, and full compensation in case a foreign country expropriates the property of an American company. In this connection the recent action of the Foreign Operations Administration in revising its investment guarantee program should be helpful. It now includes protection against inconvertibility, expropriation and confiscation.

(4) Discrimination

Foreign countries, in their turn, can remove many serious roadblocks to world trade. Discriminatory laws which put American-owned enterprises at a disadvantage, seriously hamper the expansion of trade. American businessmen, nurtured on competition, do not expect any special privileges or rights. But they do want equal treatment in the race against competitors.

(5) Convertibility of Currencies

Undoubtedly the greatest stimulant to world trade would be the return to free convertibility of all currencies. Only a few months ago the experts had high hopes that the day of convertibility might be at hand. But these hopes were dashed at the September meeting of the International Monetary Fund. Afterwards, one commentator, Lawrence Fertig of the New York "World Telegram and Sun," likened the situation to a famous scene in "Alice in Wonderland." When Alice asked for jam, the White Queen told her: "The rule is jam tomorrow and jam yesterday—but never jam today." Everybody agrees that free currencies before the war were a great stimulant to trade, and that free currencies tomorrow would again establish this fine state. But free currencies TODAY—well, that's a different matter.

Yet the goal is certainly worth an all-out effort and the current feeling of discouragement may be as unwarranted as the great optimism of September. The economic strength of the principal countries of Europe is growing steadily. Some are relaxing their rigid government controls over industrial output. The trend is toward freeing the economy and putting incentives back into operation. All this helps to lay a foundation that will make currency convertibility possible—sooner perhaps than might be expected. I hope so and I think we should work toward this goal.

Importance of Attitudes

Of course, a favorable climate for trade is not brought about simply by a checklist of favorable legislation. Very much depends on attitudes. All of us engaged in foreign trade know the importance of such factors as common language, common legal tradition, and attitude of the business community toward foreign capital. The basic theme of this Convention—that world trade depends on international good will and integrity—reminds us again that a favorable climate of attitudes is basic to our success.

Our Attitudes Are Changing

To me it is very encouraging that, despite all the obstacles and harassments involved in foreign trade as compared with the easier attractions of our domestic markets, an increasing number of businesses in this country are looking across national boundaries to invest capital and to establish plants and facilities in other countries. Our own experience at Worthington satisfies us that the foreign field is attractive. As a matter of fact, we have been engaged in world trade for more than a century and I think there never was a time when the foreign field seemed to us to have greated potentialities. Furthermore, an efficiently operated and profitable business abroad can provide local employment, and make a substantial contribution to the general welfare of the country in which it is located.

Private Point Four

It is my feeling that this kind of "Private Point Four" has great advantages over any program—no matter how admirable in purpose—that is carried out by government direction and paid for with taxpayers' dollars. It is both possible, and practical, to approach the high objectives of Public Point Four through private initiative and private investment funds. I note with interest that the Randall Commission Report strongly opposed grants-in-aid to underdeveloped countries and insisted that private capital do the job. As a matter of fact, as you know, many private companies are now doing a job—and doing it very effectively. The activities of Sears, Roebuck in Latin America are widely known. General Motors' overseas operations are well on the way to approaching the billion-dollar bracket. And these are only the more conspicuous of many examples.

The Influence of Ideas

As we survey the whole broad field of world trade, it seems to me that we must not overlook the tremendous importance of the exchange of ideas. We import understanding of the other fellow's problems, and we export, in increasing numbers of ways, an American point of view toward people, markets, production, distribution and standards of living. It is easy to argue that the ideas we send abroad may be more valuable to us and to others than our goods or our money. Our concept of free capitalism—our philosophy of mass production—our sense of the social responsibilities involved in what we do—our awareness of the great potentialities of high individual worker productivity—may revolutionize the thinking of the world and thus lay foundations for far greater production and consumption abroad.

In many areas of the world, the goals and practices of business stem largely from notions which date back to the 18th and 19th centuries. The average man is unable to observe any real benefits for himself in a system which seemed to enrich the few at the expense of the many. But American business demonstrates continually that under the mass production system everybody—the consumer, the worker, the investor—stands to gain. In some areas of the world where a few are rich and the rest have nothing, this is still a new and hard-to-believe idea.

It seems to me that the ideas contributed by American enterprises abroad are helping to develop the economies of foreign countries; and that they will have an increasing influence as time goes on.

One of these is the idea of larger volume of output at a lower percentage of profit. In many foreign countries a 10 to 15% profit was once considered ridiculously low to most businessmen, many of whom considered anything below 60% not worth the effort. But American business has changed this attitude. Instead of reaping extremely high profits on extremely low volume, the foreign businessman has begun to try the American method—because it pays. This has been an important factor in the gradual decline of a capitalism of extremes, which created the kind of social problems that encourage people to accept

*An address by Mr. Ramsey before the 41st Convention of the National Foreign Trade Council, New York City, Nov. 16, 1954.

the desperate alternatives of the Communists.

Modern management ideas and techniques are perhaps our most important export. The concept of ploughing profits back into the business for further development is vital to the success of business anywhere; equally vital is the idea of carefully worked-out sales and production programs backed by expert sales promotion techniques. It is our belief that modern industry has important social obligations to perform, and that modern enterprise is a trustee of a part of society's productive resources. By translating this belief into action, we may very well sell capitalism abroad to millions of people who would otherwise have no conception of the American meaning of the term.

We at Worthington regard our Foreign Student Training Program as of prime importance in this regard. Each year we receive about 25 young engineers from the countries of Europe, South America and the Far East, where some of our plants are located. These young men take the same course of training in our shops and classrooms as our American student engineers, then return home to apply what they have learned. They take back with them a better understanding of the American industrial system — a better grasp of our management methods—because they have seen them in operation.

An outstanding example is a young man who came here to participate in our Foreign Student Training Program shortly after World War II. He is now the Assistant Manager of our Spanish associated company.

The idea of **service,** which was and still is to some countries completely unrelated to business, has been fostered by the export of the American view of capitalism. The Germans, for example, greeted the idea with enthusiasm. The story is told of a truck driver in West Germany who stopped to take a nap one night and woke up to find that someone from a gasoline service station had cleaned his truck, checked the tires and oil, and hung a red lamp on the back. He had stopped half a mile from an Esso garage!

Finally, we have done much to dramatize the idea that **improvements in the standard of living are** brought about not through government generosity but by **greater productivity in industry and agriculture.** We have emphasized this by deeds, not words. We have forged the tools, we have made the machines, we have assembled the equipment by which the working man abroad, as well as at home, can increase his productivity and thus raise his standard of living.

For all these reasons, it seems clear to me that private American capital can succeed in promoting economic advancement where public funds may fail.

Benjamin Fairless of the U. S. Steel Corp. recently contrasted the benefits of public works programs with what he called "private works programs." He pointed out that public works programs afford only a stop-gap solution to the problem of unemployment, because the average public works project seldom provides continuing employment for anyone after it has been completed. Private works projects, he went on to say, are entirely different. "When new industrial facilities are built, they not only provide temporary work for the men who construct the plant and who produce the machines and materials that go into it, but they also open up permanent jobs to the men and women who will operate the enterprise thereafter."

I know of no more effective answer to Communism than to let the people of foreign countries see with their own eyes what productive capitalism can do to benefit the average man and raise his standard of living. This may well be the most important contribution American business can make abroad. Assuredly, it is one of the compelling reasons why we should do everything in our power to broaden and extend the foreign operations of American enterprise.

With Remmele-Johannes

(Special to The Financial Chronicle)

DAYTON, Ohio—Mrs. Virginia Eisert, John H. Gogstetter, Louis, A. Jacquemin, Leaton F. Jenkins, James B. Kennedy, Clifford Winans and William J. Walter have become associated with Remmele-Johannes & Co., 1126 Oakwood Avenue.

Califorina Inv. Add

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Joseph L. Borden, Eugene R. Cuthbertson, Edward W. Mitchell, Robert A. Meyer, Gordon C. McCormick and Bruce A. Johnston have been added to the staff of California Investors, 3924 Wilshire Boulevard.

Four With Daniel Weston

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Eugene D. Faierman, Charles N. Ozier, Leonard A. Sholdar and Raymond G. Thompson have become affiliated with Daniel D. Weston & Co., 118 South Beverly Drive.

Gold, Money and Men—A Plea For the Gold Standard

By LEWIS P. MANSFIELD
San Francisco, California

Mr. Mansfield, after giving a brief history of monetary standards in the United States, presents arguments why gold is the only workable monetary standard in the modern industrial world. Says high officials in the Treasury Department give the impression that they have no plans for a return to the gold standard as far as a domestic redemption of currency into gold is concerned, but contends that a single law is all that is needed to place $22 billion now at Fort Knox, in the hands of banks, for redemption of our money. Concludes, "a gold standard is no guarantee of fiscal health, but an irredeemable paper money carries its own disease with it."

"Money is the root of all evil." This is a familiar but incorrect quotation from one of St. Paul's Epistles. What he said was—"Love of money is the root of all evil." If this is true, then it follows that love of bad money is the tap-root of all evil. Irredeemable paper money is bad money and that's what we have and thirst after today. More and more dollars is our cry, more and more debased dollars to help us keep up with the parade of national extravagance. For 20 years we have been imbibing the bad-money drug and it is right at home in our veins. The return to a fully-redeemable gold standard in the United States is of vital importance if we sincerely wish to knock any sense into our money and make it our honest servant again.

Lewis P. Mansfield

The late Prof. E. W. Kemmerer gave a simple definition of the Gold Standard as follows: "The Gold Standard is a monetary system in which the unit of value, be it the dollar, the franc, the pound, or some other unit in which prices or wages are customarily expressed, and in which debts are usually contracted, consists of the value of a fixed quantity of gold in a free market."

The most important words in that definition are "the value of a fixed quantity of gold." By value is meant the purchasing power of gold in terms of all other commodities. Under a gold standard the price of gold is fixed. That is to say, there is a fixed quantity or weight of gold in the monetary unit, but the value of the gold (or the gold coin) changes constantly as the prices of commodities and wages fluctuate. A gold standard, for example, could not possibly be a lump of gold weighing so many grains—it must be the value of the gold of a certain standard weight and fineness. Most of the difficulties in understanding the nature of a metallic standard of money have arisen through failure to comprehend that the quantity or weight of the metal is constant, but the value of that metallic content is free to change in relation to the price level of all other commodities. Government must always be ready to buy and sell gold in order to maintain its official price. To this extent there is management of money, but it is management based on the universal and enduring desire for the yellow metal and on the right of people to demand and receive gold coin in exchange for their paper money.

A Bit of History

Let us indulge in a bit of history. In 1792, Congress under its Constitutional powers to "coin money and regulate the value[1] thereof" passed the Mint Act. This defined the dollar as containing so many grains of gold or silver in a fixed ratio of one to the other and caused the dollar to be interchangeable with either metal. Silver remained as standard money along with gold until 1873. There was a period of 17 years during and after the Civil War when specie payments were suspended by the Government, and irredeemable paper money was issued, Greenbacks. Inflation of a serious sort followed and continued until the Resumption Act of 1875, which became effective on Jan. 1, 1879. The country was thenceforth on a strictly Gold Coin Standard and remained so until 1933.

The dollar became the equivalent of gold at the rate of 25.8 grains 9/10ths fine, which equals 23.22 grains pure gold, which produced a price of $20.67 per ounce, troy. This then was our good and faithful dollar, good throughout the world for 54 years. In 1933 the Roosevelt government not only confiscated all the gold coin and bullion in the United States but it debased the dollar by over 40% and took the profit in the "clipped" gold dollar for itself.

For 20 years since the Gold Reserve Act of Jan. 30, 1934, this country has suffered from the ravages of an irredeemable paper money—and a glut of gold hoarded by the Treasury.

Although the dollar is now officially worth 15.24 grains of gold 9/10ths fine or 13.71 grains pure, and gold is accordingly priced at $35 per ounce, it is unlawful for American citizens to obtain gold with their paper dollars or bank deposits. This privilege is reserved to Central banks of foreign nations and to domestic users of gold in industry. While we may correctly affirm that we are on a Gold Standard, it is a hybrid standard about as effective as a Watch Dog with no teeth. We have truly been deprived of our natural right to possess gold, a right as old as the human race.

Such an emasculated standard of money means that our dollar is unsound and unredeemable in anything of substance. It is dependent for its value upon the whims of politicians, the weaknesses of statesmen, and the psychology of the public. It is stage money. This so-called money can be manufactured in the bloodstream of our fractional reserve banking system with very little restraint. Such money lends itself to the extravagance by Government and to uncertainty in the business and financial world. There is no virtue in it. It corrupts and confuses and undermines public morality and dangles before the eyes of our rulers the constant temptation to create more money for government spending, deficit financing, borrowing, monetizing of the Federal debt through bank deposits and all the devices available along the primrose path of monetary magic. It makes it difficult for the free-enterprise system to work smoothly because it renders uncertain the future value of dollars and discourages the making of future contracts payable in dollars. Through inflation it has already robbed the American people of billions of their savings and pensions and life insurance policies. It is like a drug which when it has fastened itself onto its victim, never releases its hold until it is removed.

Gold—the Only Workable Standard

Buy why is it true that the only workable standard for money in the modern industrial world is a thorough-going redeemable Gold Standard? Why would it not be possible for us to continue with our paper money properly regulated by those in power who understand the economics of business, money, credit and banking? The answer is to be found in the frailty of human nature. In short, gold is more trustworthy than human nature. It is an undoubted historic fact that gold as a commodity-money has shown itself superior to all other types of money. In primitive times the exchange of goods was done through barter and later on by using crude forms of commodity-money, such as cattle, lands, tobacco, grain, seashells, knives, various metals and finally silver and gold. All of these media of exchange and measures of value served their purpose and certainly silver ran gold a close second right up to modern times. The principal reason why gold has largely supplanted silver as standard money, as it did for instance in England in 1821, is because gold has a greater scarcity, a greater stability of production, and in other ways is more suitable for coinage and as a common denominator of value.

Shakespeare said, "The quality of Mercy is not strained." We might say the same of gold—its quality as an element is always the same and cannot be impaired. Gold cannot be counterfeited and it is beyond the power of governments to add more than a nominal increment to the stocks already in men's hands. It remains the one generally accepted commodity capable of serving as a common measure of value of all services and goods.

Most people in the gold-mining industry and some economists feel that before returning to a redeemable gold standard, the price for gold should be raised above $35 per ounce in order, as they say, to permit gold to reflect the upswing since 1933 of general prices. To be fair, they should compare the present level of general prices with the period in the middle '20s which would show that the gold price and the wholesale price index have both risen about 70%. Moreover, today's world price of gold in free markets shows only a small premium over the official price of $35 per ounce. No doubt the domestic gold-mining industry has been unfairly treated by our government, for it has been cut off from all world markets for its product, and is permitted only one customer, Uncle Sam, and only one selling price — Uncle Sam's price of $35 per ounce. The South African gold miners, on the other hand, can sell gold in the free markets of the world at any price obtainable.

The plight of the American gold miner is certainly not a happy one but unquestionably a tampering with the statutory gold price today might be disastrous to the economy and result in an uncontrollable spiral of inflation. For an increase in the price of gold is only a smooth way of saying a devaluation of the dollar. What we need above all is fixity in our gold dollar—and we have it at $35 per ounce of fine gold.

The Current Situation

What then is the situation facing us as of now? Well—there was and is no hope of restoration of a Gold Redeemable Standard from those politicians of the Fair Deal persuasion. What about the Republican Administration? Apparently this Administration appears to have no intention of promoting the cause. Although in the party's platform on which Eisenhower was elected was inserted the following statement—"We advocate the following monetary policies, to restore a domestic economy and to use our influence for a world economy of such stability as will permit the realization of our aim of the dollar on a fully convertible gold basis." We often see in the press today reference to the Republican party's promise to restore a convertible Gold Standard, but it does not seem that there was any clear promise made in this plank of the platform. It might be called a well-hedged expression of a pious hope—a counsel of perfection.

High officials of the Treasury Department have given the distinct impression that they have no plans at present for a return to the Gold Standard as far as a domestic redemption of currency in gold is concerned. That may come about at some later time, they believe, but there are too many adjustments that have to be made first. Of course, as they say, we are now on a kind of Gold Standard to the extent that we hold the dollar at a fixed price with gold. Our first job, they believe, is to get our budget balanced, get living within our income, get a sound situation thoroughly established, and a good deal more progress along similar lines than now exists should be made throughout the world. This is the Administration's present line of thought. "Now is not the time" is the chant of our officials in the Treasury and the Central bank.

It does not apparently occur to these money managers that the fiscal problems which confront the country would be easier of solution if we began the cure by making dollars fully convertible into gold. So there seems little hope of a change from our present irredeemable paper money system so long as these officials insist on putting the cart before the horse.

A Single Law Will Do It

A single law passed by Congress and signed by the President is all that is needed to place the $22 billion, now at Fort Knox, in the banks for the support of our money and for the redemption of that money by our citizens if they so choose to possess gold. There is a larger ratio today of gold in the country to the total money supply (money and demand liabilities) than we have usually had in the past when the Gold Standard was operating successfully. Indeed we still have about 60% of the world's monetary gold. This is the answer to those skeptics who fear all our gold will be withdrawn from the banking system and hoarded by individuals.

In 1879 mainly through the heroic efforts of John Sherman, then Secretary of the Treasury under President Hayes, this country resumed a gold redeemable currency with a very small backing of gold. At that time many experienced financiers (Sherman referred to them as the New York cashiers) warned the country that it could not be done. But it was done, and the resumption was a signal success. Only a nominal amount of gold was withdrawn from the Treasury on the first day of resumption, and a larger amount of gold was deposited than was withdrawn. For 10 years and more thereafter the country enjoyed a period of confidence and prosperity during which commodity prices were steady and even declined somewhat. The government was able to sell its bond issues at much lower rates of interest than had prevailed for years. In short, credit, business, and the general welfare improved immeasurably. It has always been the story in this country that our sound money has gone hand in hand with the growth of industry and the flourishing of America's free way of life.

International Influence

Certain people fear that the return to a Gold Standard in this country would upset our international relations and work a hardship on foreign nations. There is no proof of this either in precedent or in reason although some foreign nations, including Russia, might like to have us raise the price of gold rather than restore a Convertilbe Gold Standard at the present fixed price. We will probably have to act on our own if we are ever going to take the plunge of restoration, and in the long run such an action would not only benefit the United States, but would be of great benefit to the world and would go far toward reviving normal conditions in international trade and peaceful relationships and a world-wide standard for the currencies of all nations. There is nothing implied in a convertible Gold Standard that would prevent us from extending and continuing to extend credit throughout the world where credit is warranted, both from the creditor's interest and the borrower's.

The late Benjamin M. Anderson, eminent economist, once wrote as follows: "There is a myth widely current that prior to 1914 the world was on the Sterling Standard rather than the Gold Standard, that London controlled the Gold Standard and it was only the superhuman wisdom in London which made it work. The doctrine adds that when New York become the center after 1918 the Gold Standard failed because New York lacked London's wisdom. Now the fact is that London had far less control and responsibility prior to 1914 than did New York after 1918, and that policy played a much smaller role in the earlier period. There were many Gold Standard money markets competing with London for gold prior to 1914, several of them very powerful, as New York, Berlin, and Paris and many others of real influence as Amsterdam, Vienna, Switzerland, the Scandinavian Countries and Japan. These all steadied one another. All would pull gold away from any country that was over-expanding credit, and force it to pull up . . ."

A Gold Money Standard is no guarantee of fiscal health, but an irredeemable paper-money carries its own disease with it. A Gold Standard may be likened to the rails on a railroad track—the rails will not prevent wrecks, but if you don't have rails you will have nothing but wrecks. If in this country we are going to wait for economic conditions to be exactly right—government budgets to be balanced, government debt reduced and foreign affairs to be all sweetness and light, before we restore good money, we will probable wait forever. Things just don't happen like that, and if we wait for such a millenium we shall not need the great stock-pile of gold we now possess. We can throw it into the sea as a superfluous luxury, or give it away faster than we are now doing to other countries. If a return of the United States to gold coinage will ever be a good thing, then it is a good thing now.

If we really wish to abandon the idea of gold as a base for our money, at least let us be honest about it and define a dollar, not as the value of 15 5/21 grains of gold, 9/10ths fine, but as a piece of green paper convenient for a pocketbook and engraved with the solemn promise of the United States of America to pay the bearer on demand—One Dollar! That is our privilege, and that also may spell our downfall.

[1] Value, as used here, means the properties of the coin.

Foresee Revised Credit and Debt Managing Policies Under Changed Conditions

New York University economists hold a revision from past Federal Reserve and Treasury policies different from those employed in the past is forthcoming. Say experience of 1953-54 recession demonstrated that the monetary authorities are not only aware of their responsibilities, but are willing to modify their policies to meet changed economic conditions and trends.

According to a bulletin entitled "Credit and Debt Management Policies for a Changing Economy," issued on Nov. 12 by Dean G. Rowland Collins, Director, and Dr. Marcus Nadler, Research Director, of the Institute of International


G. Rowland Collins   Marcus Nadler

Finance of New York University. "Credit and debt management policies in the United States will have to be adapted to meet the changed economic conditions that may be expected in the future."

Assuming no serious deterioration in the world political situation, the bulletin points out that the American economy of the future will be a growing economy but one free from inflationary booms or major depressions. Hence, the credit and debt management policies followed by the Federal Reserve and the Treasury in the past may be of little value as a guide to future policy.

Economic developments during the past year, the New York University study states, have been marked by considerable stability. The readjustment that set in around the middle of 1953 has apparently run its course and a moderate upturn in business is taking place. The dangers of inflation have receded, and unless unforeseen events occur a renewal of the forces of inflation is unlikely in the near future.

Similarly, there are no important evidences of deflation in the economy. Commodity prices on the wholesale and retail levels have remained fairly stable during the past 18 months, and wage rates, despite the decline in business activity and the increase in unemployment, are still tending upward. Moreover, it is gradually becoming clear that, because of the measures that have been taken during the past two decades and the dynamism of the American economy, a major depression of the type that occurred after every war and prolonged boom in the past is not likely to occur in the future.

It is evident that a free economy such as prevails in the United States will have its ups and downs and that at times government intervention will be necessary. Arthur F. Burns, Chairman of the Council of Economic Advisers, expressed this view in an address before the Economic Club of Detroit, Oct. 18, 1954, when he stated: "Today it is no longer a matter of serious controversy whether the government should play a positive role in helping to maintain a high level of economic activity. What we debate nowadays is not the need for controlling business cycles, but rather the nature of government action, its timing, and its extent."

In his address before the National Security Industrial Association, Oct. 25, 1954, President Eisenhower predicted that the national output would increase 40% in less than a decade. Even though some may question this optimistic forecast, it seems reasonable to assume that, once the transition from an economy of shortages to one of surpluses has been completed, business activity in the United States will increase to new high levels accompanied by a further rise in the standard of living of the people. This economic progress, in the absence of major political disturbances, is likely to be gradual and the marked by great booms or breaks. Such a type of economy requires credit and debt management policies different from those employed in the past. This approach must be based on the premise that the economy of the United States is growing and dynamic.

The principal function of the Reserve banks is to control the volume of member bank reserve balances. This has a direct bearing on the availability of bank credit and the cost of money, which in turn exercise an influence on business activity. In a growing economy the volume of the means of payment must keep pace with production, distribution, and employment. Because the member banks must maintain certain minimum reserves against their deposits, an increase in the means of payment must be preceded or accompanied by an addition to reserves.

Aside from the factors over which the banks, the Reserve authorities and the Treasury have no control, excess reserves can be created by the Federal Reserve through open-market purchases and the lowering of reserve requirements, or by the member banks themselves through borrowing from the Reserve banks. When the latter occurs in large volume, however, money is tight and the banks become reluctant to lend and invest.

In general, changes in reserve requirements should be made only as an emergency measure to combat a threat of serious inflation or deflation. Open-market operations should normally constitute the means through which the Reserve authorities influence the volume of member reserve balances. At present, however, reserve requirements are too high, even though they were reduced twice between July 1, 1953, and Aug. 1, 1954. It would therefore appear desirable for the Reserve Board to lower reserve requirements to a level considered the minimum needed for effective credit control. The newly created excess reserves could be temporarily absorbed by the sale of Treasury obligations by the Reserve banks. Later on, if the banking system requires additional reserves to meet the growing demand for credit by industry, trade, and agriculture, or unexpected needs of the Treasury, these could be supplied through open-market purchases.

To achieve these aims without too much disturbance to the bill market, it would be advisable to change the present open-market policy, which restricts operations to purchases and sales of Treasury bills. Granting the Reserve banks the authority to buy and sell Treasury obligations other than bills would enable them to influence not only the volume of reserve balances, as at present, but also the entire government bond market, as well as to assist the Treasury in its operations. A return to a pegged government bond market, however, is undesirable and could do more harm than good.

A general revision of the present system of reserve requirements, based on the geographic location of member banks, is long overdue. An amendment to the Federal Reserve Act creating a new system of reserve requirements would, however, require careful study and is not likely to be enacted in the foreseeable future. In the meantime, because of the great changes that have occurred during the last four decades, particularly the increasing importance in the economy of banks outside of New York City and Chicago, the abolition of the category of central reserve cities would be desirable.

The aim of reducing the public debt could hardly be realized in any considerable degree in the near future, although the marketable debt will probably decline. The volume of outstanding bills and certificates does not appear excessive, however, especially in view of the liquidity requirements of banks and large corporations. Moreover, the problem of reducing the bank-held debt is not as serious as it was a few years ago, when inflation presented a threat to the economy. While lengthening of maturities must still remain the goal of debt management policy, this process is bound to be a slow one. An attempt to force a large volume of long-term bonds on the market at a time when conditions are unpropitious would have adverse consequences both for the Treasury and the bond market in general. A moderate amount of medium-term obligations, could, however, be absorbed by banks and other financial institutions desiring spaced maturities. In addition, some longer-term obligations with a somewhat higher rate of return than now prevails could be absorbed by state, municipal, and private pension funds.

A free economy is bound to have its ups and downs, because psychological attitudes play an important role in the decisions of management as well as of individual consumers. Sound credit policies are highly important and exercise a powerful influence on the economy. To be effective, however, they must be complimented by sound debt management and fiscal policies followed by the Congress and the Administration. The experience of the 1953-54 recession demonstrated that the monetary authorities are not only aware of their responsibilities but also are will ing to modify their policies to meet changed economic conditions and trends.

With Peters, Writer Firm

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Paul D. Rosewarne has become associated with Peters, Writer & Christensen, Inc., 724 17th Street.

Great Western Devel.

HOLLYWOOD, Calif. — Great Western Development Co. is engaging in a securities business from offices at 7750 Sunset Boulevard. Aloysius V. Kelly is a principal of the firm.

Two With King Merritt

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La. — Mrs. Mildred G. Carter and James D. Martin are now associated with King Merritt & Co., Inc.

Mutual Funds Inv. Service

LOS ANGELES, Calif.—Mutual Funds Investment Service has been formed with offices at 4529 Abbey Place, to conduct an investment business. Harley Gayman is a principal in tht firm.

From Washington Ahead of the News

By CARLISLE BARGERON

The most interesting thing about President Eisenhower, I think, as he goes up against a Congress controlled by the opposite political party, is that he is not the slightest worried. He still thinks he will get his way. By his training he is used to having his orders carried out, and although his first two years in the White House have told him that in his political capacity you can't just say this and that is hereby ordered and must be carried out, he still assumes that what he once orders will be done, maybe in a roundabout way, but will be done. This attitude gives him an unusual serenity for a President, makes it possible for him to fly hither and thither to shoot ducks or play a game of golf. He doesn't sit around the White House fretting about what should be or what shouldn't be. There is none of Hamlet's "To Be or Not to Be" about him. He leaves his orders and assumes that, although not as directly as would have been the case in his military command, they will be carried out.

Carlisle Bargeron

An example of this, I think, was his attitude in the Dixon-Yates case. The Leftist and Public Power agitators made a tremendous issue out of this. They screamed bloody murder about the alleged iniquities of it. They sought to make it a household issue all over the country. It was a splendid piece of demagoguery. But it was such demagoguery that it hurt the Republicans in the recent campaign; specifically it hurt Republican Senator Cordon in Oregon who seemingly for no good reason in the world was defeated by the inexplicable Neuberger.

But does Eisenhower back track in the face of the political clamor that was made, and will still be made over the Dixon-Yates deal? No, it is a red flag to Senators Kefauver, Albert Gore, Clinton Anderson and other Senators of the Public Power lobby, to say nothing of the non-official Public Power lobbyists such as Clyde Ellis, that former Congressman who has worked up an excellent livelihood out of Public Power politics, and Leland Olds, former member of the Federal Power Commission, who has done the same. But the President is unmoved.

He originally ordered the Atomic Energy Commission to make a contract with a private power group by which they would build a plant in West Memphis, Ark., and give power to the TVA to replace that which it must give to the AEC at another place.

Not in a long time have I seen such a furore as was created by the Public Power boys in this instance. Even some of Mr. Eisenhower's best political friends advised him to run away from, to repudiate this arrangement. But Mr. Eisenhower steadfastly held his ground. He had approved the Dixon-Yates contract, he said at press conferences, at his last one more recently, because he thought it the thing to do. That was it, period.

The episode provided a very interesting study of the man. He seemed not to be the slightest disturbed over the political clamor that had been raised, not the slightest bit disturbed that the Democrats had made such an issue of this matter that it knocked off at least one Republican Senator and thereby denied the Republicans control of the Senate. He had ordered the Dixon-Yates contract to be signed by the Atomic Energy Commission. He never had the slightest doubt that it would be signed and get the approval of the Joint House and Senate Committee of Congress on Atomic Energy. That it took some time to bring this about undoubtedly caused him to realize that the obeyance of his orders comes slower now than they did when he was the head of our troops in Europe or when he was in command of NATO but it comes nevertheless. The man, by his training, is used to having his way.

I have no doubt that he expects to have his way, relatively speaking, in the future. The Democrats will control in the next Congress both House and Senate. It is enough to give pause to any President of opposite political faith. But there is a question as to whether Mr. Eisenhower has lost a single wink of sleep. Republican leaders of both houses have lost many winks. They are, indeed, prone to look most pessimistically toward the future. You would assume that a Republican President would look the same way.

Not Mr. Eisenhower. He knows now that in political life his wishes do not go down through a chain of command, but he expects and assumes that in the political deviousness they will in a roundabout way be gratified. In his way he is quietly driving and a very stubborn, determined man. I am afraid, though, that he is in for some disillusionment.

Now Stanley & Co.

On Nov. 15 the firm name of Jacquin, Stanley & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, was changed to Stanley & Co. On the same date Theodore Levy, member of the Exchange, became a partner in the firm.

Garrett Bromfield Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John S. Poulos has been added to the staff of Garrett-Bromfield & Co., 650 17th Street, members of the Midwest Stock Exchange.

Garvin Bantel to Admit

On Jan. 1, Ralph De Paola will become a partner in Garvin, Bantel & Co., 120 Broadway, New York City, members of the New York Stock Exchange. Mr. De Paola has been with the firm for some time in charge of Federal Funds Department.

William E. Brewster Opens

(Special to THE FINANCIAL CHRONICLE)

BOULDER, Colo. — William E. Brewster has opened offices here to engage in a securities business. Associated with him is William B. Brewster.

A Common Stock Fund For Savings Banks

By ALFRED J. CASAZZA*
Vice-President, Savings Banks Trust Company
New York City

Commenting on the need of savings banks to earn a higher return on their assets, Mr. Casazza discusses the means of increasing income yields through investment in common stocks, without too much additional risk. Lists as ways to minimize risk: (1) proper selection of stock issues; (2) timing of stock purchases, i.e. "dollar averaging"; and (3) setting aside a reserve for losses. Points out value and importance of a mutual fund in eliminating risks of stock investments and describes the function of the Institutional Investors Mutual Fund, Inc.

The chief problem confronting the management of a mutual savings bank today is to earn an adequate return on its assets with a high degree of safety.

Alfred J. Casazza

Earnings of a savings bank must be large enough to defray expenses of operation, cover the interest-dividend, and leave an addition to surplus that will margin future growth. If earnings do not suffice, either the surplus ratio will fall too low as deposits expand or the dividend will have to be reduced, which could check or reverse deposit growth. Either alternative is undesirable.

The earnings problem is more difficult of solution for those savings banks that have to pay a Federal income tax on their retained earnings because surplus and reserves exceed 12% of deposit liabilities.

The obvious solution for this earnings problem is to acquire higher yielding assets that do not entail undue risk.

Stocks Yield Most

Of the several classes of investments available to mutual savings banks, common stocks offer the highest net yield and so can contribute to a solution of the earnings problem.

The average return on 200 representative common stocks, according to Moody's Investors Service, is around 4.50%. Since corporations in the aggregate pay out only about 55% of their earnings as dividends, increases in dividend rates may be anticipated in the future as profits are expanded by reinvestment of retained earnings.

Dividend income is attractive especially to savings banks that have to pay the Federal corporate income tax because corporations are given a tax credit of 85% on dividend income. This makes the 52% corporate income tax rate equivalent to only 7.8% of total dividends received. A common stock yielding 4.50% thus gives a savings bank which pays the 52% income tax a net yield after tax of 4.15%, which compares with a net yield of only 2.16% such a bank would derive from a 4½% mortgage loan.

Stock Investment Risks

While common stocks offer savings banks a higher net rate of return than any other class of investments available to them, they also entail greater risks.

Common stocks do not possess a contractual claim to a fixed rate of return and to repayment of principal at maturity, as do bonds and real estate mortgages. They do not enjoy the legal priority of creditors. Moreover, common stocks are subject to much greater risk of price depreciation than are high-grade bonds and mortgages.

Prices of bonds, other than convertibles, do not usually vary much from the par value so long as payment of interest and principal is considered assured. Prices of common stocks, by contrast, can rise to any height justified by earnings and dividends, and then can decline correspondingly when profits and dividends fall. It has truthfully been said that there is neither a ceiling over nor a floor under common stock prices. This greatly enhances the risk of price depreciation and eventualy loss to the investor who buys when prices are high.

Because of the risk that earnings, dividends and prices of common stocks may decline, savings banks will want to take measures to minimize the risk before embarking upon a program of investment in common stocks.

How to Minimize Risk

There are three ways to minimize the risks inherent in common stock investment.

First, this can be done through selection of issues that give sound investment value at the time of purchase, and through constant and close supervision of the portfolio to shift holdings when called for by the ever changing conditions of our dynamic economy.

Secondly, risk can be lessened through timing of stock purchases. The practice of "dollar cost averaging," or the investment of a given dollar amount at regular intervals for a period of years in common stocks, assures that purchases will not be concentrated at any one time when prices may be excessively high.

In the third place, risk can be minimized, as with mortgage lending, by setting aside a part of the current income as a reserve to absorb future depreciation or loss.

Of these three basic measures for minimizing the risks of stock investment, by far the most important over the long run is the proper selection of stocks and the continuous supervision of the portfolio after it has been acquired. Timing and reserves will not protect the investor against substantial loss if the selection of stocks for purchase is poor, and if holdings are not shifted from time to time into more attractive stocks in response to changing economic conditions.

I shall deal with this dual problem of common stock selection and portfolio supervision in my talk to you today.

Solutions to the Selection Problem

Savings banks can solve the problems of selection either through investing directly in stocks, or through setting up a mutual stock fund of their own for this purpose.

There are a number of solid advantages in using a common stock fund for equity investing by savings banks. These include:

(1) Provision of a professionally-trained, competent staff to carry out the complex and exacting job of selecting and supervising stock investments. This involves analysis of the investment characteristics and the prospects of numerous industries and companies, as well as appraisal of future developments that will affect the issues acquired. To do this effectively contacts with company managements and other worthwhile sources of pertinent information are needed to supplement published data.

(2) This job can be performed much more economically by a mutual fund than by each bank individually. Because only a small fraction of the assets of a savings bank may be invested in stocks, no one savings bank can afford to hire even a minimum staff for supervision of it sstock investments. A mutual fund also provides a more economical way of handling physical custody of stock investments.

(3) A mutual fund can provide a greater degree of diversification than a single savings bank can attain in stock investing.

(4) A mutual fund owned exclusively by savings banks provides added assurance that the specialized investment objectives of these conservative investing institutions will determine the choice and retention of issues in the portfolio.

(5) By investing in a mutual fund, officers and trustees of savings banks will not feel under pressure to divert too much of their time from other major tasks to managing the relatively small stock portfolio. The many risks attending stock investment and the complexity of this field could result in taking up a great deal of the time and energy of management needed for more important problems of the bank.

(6) Investment in a mutual stock fund relieves individual savings banks of burdensome clerical and other duties in connection with its stock investing.

While providing these added advantages, a common fund conserves for participating savings banks the tax and investment advantages of stocks. Furthermore, since the fund is owned solely by the participating banks, there is no loading charge for sales expense such as is found in other mutual funds.

The advantages provided by a mutual fund explain why the legislatures of New York and New Jersey have authorized investment in shares of an investment company owned exclusively by mutual savings banks, as well as direct investment in stocks.

The Institutional Investors Mutual Fund, Inc.

Sponsored by The Savings Banks Association of the State of New York, Institutional Investors Mutual Fund, Inc. was incorporated under the Stock Corporation Law of New York, and began operations a year and a half ago. As the first common stock fund established by the savings banks of a state to conduct their stock investing, its experience to date provides valuable guidance to savings banks in other states contemplating investment in diversified stocks.

Institutional Investors Mutual Fund, Inc. is an open-end, diversified, management investment Company organized under the Investment Company Act of 1940, registered with and subject to the regulations of the Securities and Exchange Commission. Under its by-laws, the Fund has made itself subject to supervision by the New York State Banking Department, and submits to periodic examination by the Department. Directors must be trustees or officers of mutual savings banks in New York State, or an organization wholly owned by these banks, or an officer of the investment company itself.

The stockholding banks elect a board of directors that meets once a month, and the latter has elected an executive committee of six members that meet semimonthly. A president and vice-presidents have been elected from among the directors. A contract has been made with Savings Banks Trust Company, which is owned by the savings banks of New York, to act as investment adviser, custodian, transfer agent and registrar for the Fund.

Shares of the Fund, initially offered at $1,000, may be purchased by savings banks of New York at their current net asset value, plus ½ of 1% to cover the approximate brokerage cost of buying additional stocks for the portfolio. Shares may be redeemed similarly at net asset value, less ½ of 1%. The net asset value of the shares is determined each day, and shares have increased in value over the initial offering price by over 25%.

The Fund has been operating a year and a half, and 69 of the 129 mutual savings banks in the State own its shares with a market value of over $13.5 million. Many of these banks are buying the shares in accordance with a dollar averaging program.

The investment policy of the Fund is to keep fully invested in common stocks, except that not more than 10% of resources may be kept in cash and United States Government obligations to provide for possible redemption of shares and to take advantage of exceptional investment opportunities that may arise. The Fund would not be performing its function of providing a medium for investment in common stocks by savings banks unless it keeps substantially fully invested in stocks.

The Work of the Investment Adviser

The investment adviser performs a number of essential services for Institutional Investors Mutual Fund, Inc.

Savings Banks Trust Company has built up a staff of professionally trained specialists in equity security analysis who sift, digest and interpret the vast mass of pertinent information coming from corporations, statistical agencies, Government, Wall Street houses and other sources. As the Fund's representative in the financial district, the Trust Company is in position to tap every worth-while available source of information and ideas.

Major emphasis is placed upon field investigation and contacts by the staff of Savings Banks Trust Company, to supplement office research. A personal contact is maintained with each corporation whose shares are held by the Fund, and with some other companies whose shares may become attractive for purchase in the visible future. These field interviews not only supplement published information and help in the interpretation of facts and figures, but are invaluable in appraising quality of management, which is so important in common stock evaluation.

Being interested in large, stable investors like the Institutional Investors Fund, Inc., corporations have shown great willingness to impart information and plans to its adviser.

These activities, needless to say, take experienced manpower and much time. But they are necessary to do a competent job of selection and supervision of common stocks for savings banks investment. And because the cost is spread over many savings banks, it is modest for any one bank. Moreover, this cost will decline per share after the Fund expands in size.

Operation of the Fund

The first step in the selection of issues for purchase by the Fund has been the preparation of an Approved List of stocks considered suitable for savings bank investment. This Approved List reduces the number of issues kept under constant surveillance to manageable proportions, and avoids waste of time and energy on others. At times, additions are made to the list or issues are stricken from the list because of new developments. As of now, The Approved List contains 182 stocks, representing 28 major industries.

Inclusion of an issue in the list does not mean it will be purchased. That will depend upon its relative attractiveness as compared with other approved issues from the standpoint of quality, marketability, portfolio diversification, market price and future prospects.

The Approved List proposed by the investment adviser must be adopted by the Board of Directors. Similarly, changes in the list recommended by the investment adviser must be approved by the Board before they can become effective.

Funds received by Institutional Investors Mutual Fund, Inc. are invested promptly in the stocks selected from the Approved List as most attractive at the time by the investment adviser. The Executive Committee at each meeting passes on purchases made by the investment adviser. The Board of Directors reviews all operations at each monthly meeting.

To assure flexibility of operation, the investment adviser is authorized to sell, within its discretion, up to 5% in market value of the assets held between meetings of the Executive Committee. Such sales must be reported, with the reasons therefor, to the Executive Committee at its next meeting for approval. If the investment adviser is of the opinion that more than 5% of the assets should be sold, a special meeting of the Executive Committee is called.

After 18 months of actual experience, this method of operating the Fund has proved efficient, while providing the safeguards that should surround stock investment by mutual savings banks. You have received a copy of the latest quarterly report to shareholders of the Fund which gives a clear picture of its operations.

The Fund holds 64 different stocks representing 19 basic industries. The average current book return to the Fund from dividends on the stocks it holds is about 5.2%. Dividends received have been increased by corporations on over half the stocks purchased.

The Board of Directors declares quarterly dividends substantially equal to the net income of the Fund.

A Connecticut Common Stock Fund

The mutual savings banks of Connecticut can realize through a common stock fund advantages comparable to those that New York savings banks have derived from Institutional Mutual Fund, Inc.

Such a fund can be incorporated in your state to meet the particular requirements of the Connecticut savings banks. The fund would be owned and controlled exclusively by Connecticut mutual savings banks. It would have its own board of directors and officers, who would lay down and administer investment policies they believe suitable.

Through the dollar cost averaging technique, each savings bank could spread its purchases of the shares of the fund over a period of years. This would avoid the risk of concentrating purchases at one time when common stock prices may be unduly high. Each bank may set aside a reserve out of dividend income to offset possible future market depreciation.

The common stock fund set up by Connecticut savings banks

*An address by Mr. Casazza before the Investment Forum of the Savings Banks' Association of Connecticut, Cheshire, Conn., Nov. 16, 1954.

could then make a contract with a qualified investment adviser to perform the essential functions of selecting and supervising its equity investments, and to act as custodian, registrar and transfer agent.

By these measures, savings banks in Connecticut can realize the benefits of stock investment, while minimizing risks and avoiding undue absorption of the time and energies of officers and trustees in the performance of this task.

N. Y. Bank Women to Hold Dinner Meeting

NEW YORK, N. Y. — "How to Handle Women" will be the topic of an address by Miss Phyllis Brown, Editor in the Associate Membership Division of the Research Institute of America, at a dinner meeting of the Metropolitan-New York group of the National Association of Bank Women to be held on Tuesday, Nov. 30 at the Advertising Club, 23 Park Avenue, New York City, it was announced recently by Miss Elizabeth A. Brady, Group Chairman and Assistant Treasurer of the Bankers Trust Company, New York.

Miss Brown, an expert in problems of human relations on the job, has spoken before audiences of businessmen across the country. Business managers, ranging from supervisors to company presidents, take her advice on such questions as how to encourage the discouraged employee, how to correct a subordinate and how to handle a woman employee. One of her most famous reports, "How to Handle Women" has proved of enormous help to supervisors and personnel directors throughout the country.

This will be her first address on the subject to an audience of business women. As more and more women enter executive positions in the banking business, the question of how to handle women employees is becoming an important part of management.

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of the late Carroll V. Geran to Oscar R. Foster will be considered by the Exchange on Dec. 2.

On the same date the Exchange will consider the transfer of the membership of Louis E. Hatzfeld to W. Allston Flagg, Jr.; of the late Robert Bennett Berman to Robert L. Stott, Jr.; of the late Benjamin Stenzler to Fred A. Barman, Jr.; and of the late Charles Sievers to Thomas M. Evans.

On Dec. 1 George N. Richard and Ernest W. Flender, general partners in C. B. Richard & Co., will become limited partners.

Goodbody & Co. Adds 4 To Quarter Century Club

Four new members joined the Quarter Century Club of Goodbody & Co., members of the New York Stock Exchange, at the sixth annual dinner at the New York Athletic Club. The new members are: Andrew Keller, Miss Jean F. Kushes, Mrs. Helene G. Huddy, all of New York City, and Mrs. Marion C. Muller of Jersey City.

The four members were presented with gold wrist watches by Marcus Goodbody, senior partner of the firm and permanent club chairman. Their admission brought the club's total membership to 36.

Cheap and Easy Money to Continue: Janeway

Economist, maintaining traditional course of business cycle has been superseded by "Defense Cycle" and "Operation Catch-Up" in public service borrowing-to-build, predicts heavy demand for long-term money, to be unaccompanied by rise in borrowing rates. Foresees next year's continental defense planning providing another political pressure for cheap construction money.

Money will stay cheap and easy even though demand for it is "due to rise sharply next spring as inventory borrowers follow long-term borrowers into the money market," Eliot Janeway, economist and Defense mobilization expert told a meeting of the Mortgage Committee of the Real Estate Board of New York at the Yale Club on Nov. 15.


Eliot Janeway

Old rules of thumb about business cycle behavior are becoming increasingly useless for purposes of present day forecasting, said Mr. Janeway, who is economic advisor to the builders hardware manufacturers and other industries.

"What I have termed the Defense cycle has interrupted, and very possibly superseded, the traditional workings of the business cycle. Thus, the Defense cycle suspended state and local goverment public works during 1941-45 and again during 1950-53 —a total of seven years out of the last 14. At the same time, the impact of the Defense cycle upon our economy during this 14-year period accumulated an immeasurable and unprecedented demand for state and local public works, notably reflected in popula ion growth and relocation—as well as higher living standards.

"The mounting monentum of Operation Catch-Up in public service borrowing-to-build is breaking the old rules of how recovery ends and resumes. Rule One teaches us to expect a boom in non-Federal public service borrowing and construction as the signal for a general boom to burst —remember 1929. Rule Two teaches us to expect that non-Federal spending will also come into play at another phase in the business cycle—via political action to end recession.

"But today non-Federal governments' demand for money is rising steadily and heathily, and a new business recovery is starting too. Meanwhile, the economy as a whole is in high gear and moving into still higher gear on a sound basis. Thus today, non-Federal activity, instead of being a signal for a sharp cyclical turn down or up, as in the past, is simply built into our present day non-stop, high-speed prosperity.

"The continued rise in the demand of non-Federal governments for long-term money is helping to clarify the real nature of Washington's fiscal problem. This Administration came into office in 1953 determined to stop inflation even though inflationary pressures were due to decline with the end of the Korean War. But directly the Administration began to fight inflation, it found itself forced to fight the recession which threatened to follow the Korean truce. The Administration is still fighting recession, even though recovery is resuming.

Inflation Off to Head Start

"Never in the history of our Federal government has our economy been subjected to the combined inflationary pressure of state and local government net borrowing and net spending loaded on top of high Federal deficits. This spells inflation. In 1955, under the combined influence of Federal and non-Federal deficit financing, inflation will be off to a head start over the next alarm against it.

"I do not expect, however, any return of anti-inflation fiscal policy in Washington. A politically significant result of the 1954 election introduces an insurmountable political barrier against 'hard money.' More important for the effect of politics on the money market than the return of the Democrats to control of Congress, is the election of a flock of Democratic Governors.

"Up and down the country, state governments spending on capital account bulks to large to be financed by current tax revenues. All the states in the aggregate must continue to borrow on a tens-of-billions-of-dollars scale. Our sustained economic boom will gather momentum with state government borrowing, investing and building. The states need to borrow and, therefore, they need cheap money and lots of its flowing into the money market. The election guarantees no recurrence of 1953's ill-timed and costly experiment with hard money and high interest rates. The crescendo of state governments' expanding construction boom guarantees record prosperity on a rising scale in 1955 and thereafter. Incidentally, gubernatorial pressure for cheap and easy money promises prosperity for residential construction, automotive and appliance operations, retailing and agriculture as well.

Precedends to Be Reversed

"Defense cycle distortion of traditional business cycle functioning has caused additional confusion to business and financial management by reversing the normal sequence of long-term demand for construction capital and short-term demand for inventory lending by the commercial banks. Traditionally, demand for construction capital follows a peak in inventory borrowing. Today, however, demand for construction capital is rising steadily while bank loans have been declining. Normal business cycle experience would indicate that demand for long-term money would follow where demand for short-term money has been leading. But the reverse is about to happen. Because production and merchandising managements have kept their eyes set on past rules instead of present realities, the economy is caught short of inventory in the face of a record rate of consumption. The rising construction boom, paced by state and local government borrowing, is going to spur consumption to still higher levels. As merchants and manufacturers race to catch up with demand, they will be forced—indeed, they will be anxious—to go back into the banks for inventory money.

"Next year will also see a new beginning made of continental defense planning, and this will provide still another political pressure in the hands of public and private borrowers guaranteeing an abundance of cheap construction money."

Public Utility Securities

By OWEN ELY

Ohio Edison Company

Ohio Edison supplies electricity to 577 communities (as well as rural areas) in Ohio. Power is also sold at wholesale to 24 municipalities and seven rural co-ops owning their own distribution systems, as well as to two other electric companies in Ohio. The subsidiary, Pennsylvania Power, supplies electricity in an adjoining area in western Pennsylvania, including New Castle, Sharon and Farrell. The combined areas have a population of about 1,813,000, including the important cities of Akron (274,000), Lorain (51,000), Youngstown (168,000), Springfield (78,000), etc. In addition to its electric business, Ohio Edison supplies steam heat in the downtown business sections of Akron, Youngstown and Springfield.

Electric revenues are derived about as follows: residential 36%, commercial 22%, industrial 37%, and miscellaneous 5%. Residential rates average about 2.70c per kwh. per annum, which is slightly below the national average; average annual consumption of 2,818 kwh. is substantially above the national figure. Principal industries in the area are steel, rubber, machinery, automobiles and parts, metal products, chemicals, publishing, etc. By far the largest industrial business is in machinery and metal products, followed by iron and steel production, rubber, chemicals and foodstuffs.

An abundance of natural resources—coal, clay, silica, molding sands, building stone, limestone, gypsum, sand and gravel—are found within or close by the area. A prosperous farm economy balances this diversified industrial development. In 1953 Ohio ranked 7th in the nation in cash receipts from farm marketings and Pennsylvania ranked 14th. A total of 45,209 farm customers are served by the System.

The area's transportation facilities are excellent. Major railroads connect with all key points and 11 large air terminals in and near the area offer the services of ten major airlines. One-fourth of the nation is within overnight shipping distance by truck. Lake Erie port shipping facilities should increase in importance with the completion of the St. Lawrence Seaway project.

Ohio Edison's revenues, including those of the Pennsylvania subsidiary, now approximate $109 million a year compared with $75 million in 1948. Common stock earnings based on outstanding shares have been as follows in recent years:

1948	$2.97	1951	$2.60
1949	2.95	1952	2.97
1950	2.98	1953	3.15

In addition to the stated earnings, Ohio Edison charges off about 19¢ for amortization of plant acquisition adjustments, which charge will disappear in a few years. Cash savings from accelerated amortization in 1953 amounted to 10¢ a share. On the other hand there was a substantial credit for interest on construction amcunting to 37¢ a share. Dividends were paid at the rate of $2 during 1947-51, the rate being raised to $2.20 late in 1952.

Capitalization ratios have been substantially improved in the last decade as indicated in the following comparison (Ohio Edison only):

	Sept. 30, 1944	Aug. 31, 1954
Long Term Debt	61%	43%
Preferred Stock	18	18
Common Stock Equity	21	39
	100%	100%

Pennsylvania Power Company has 46% debt, 19% preferred stock, and 35% common equity (as compared with 27% 10 years earlier).

As of Aug. 31, 1954 Ohio Edison's utility plant was carried at $462 million, an increase of 121% during the post-war period. Construction expenditures have been increasing sharply in the last three years. Capacity at the end of this year will approximate 1,448,000 kw. compared with 1,245,000 kw. in 1952 and 1953; in 1955 it will jump to 1,700,000 kw., with a further increase in 1957 to 1,790,000 kw. The new 212,000 kw. Niles plant, just dedicated, is part of this program. Down on the Ohio River a 270,000 kw. addition is being made to the R. E. Burger plant; the first unit is expected to go into operation about the first of the year and the second in June, 1955. Work began in June of this year for a 90,000 kw. addition to the Edgewater plant at Lorain, to be completed in 1957. The company recently conducted an inspection tour of its properties for a large group of bankers and analysts, in connection with the dedication of the big Niles plant.

Ohio Edison has been selling recently around 44½ to yield about 5%. The current price is about 15 times recent share earnings of $2.95, which is about the average ratio.

Chicago Analysts to Hear Montgomery Ward Plans

CHICAGO, Ill.—A special meeting of the Investment Analysts Society of Chicago will be held Nov. 30 at 12:15 p.m. in the Georgian Room, Carson Pirie Scott & Co. Louis E. Wolfson, of Merritt-Chapman & Scott Corporation, will discuss the proposed plans for Montgomery Ward & Company. The meeting is a closed meeting for members only and reservations should be made with Lucian B. Wilkinson, The First National Bank of Chicago.

Carroll, Kirchner Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Robert M. Nelson has become associated with Carroll, Kirchner & Jaquith, Inc., Patterson Building. Mr. Nelson was formerly security analyst for William H. Coburn & Co. of Boston.

Joins L. C. Fulenwider

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John L. Wheatley has become connected with L. C. Fulenwider, Inc., Equitable Building.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Dr. Lawrence R. Hafstad, Director of the Reactor Development Division of the Atomic Energy Commission in Washington, will join the staff of the **Chase National Bank of New York**, on Jan. 1, next as Atomic Energy Consultant, John J. McCloy, Chase Chairman of the Bank announced on Nov. 19. It is planned that Dr. Hafstad will represent Chase in conferring with various groups planning the development of atomic energy by private industry. "Dr. Hafstad will be available for consultation by the bank's industrial customers," Mr. McCloy said, "and will devote his efforts exclusively to furthering the peacetime uses of atomic energy, in line with the objectives of President Eisenhower and his Administration." Dr. Hafstad, a leading atomic energy scientist, is a graduate of the University of Minnesota and Johns Hopkins University, from which he received his Ph.D. in 1933. He was a physicist for the Carnegie Institution of Washington from 1927 to 1945 and later was Director of Research of the Applied Physics Laboratory of John Hopkins University at Silver Spring, Md.

He was appointed Executive Secretary of the Research and Development Board, Office of the Secretary of Defense, in 1947, continuing in that assignment until he was named first director of the Reactor Development Division of the Atomic Energy Commission in 1949. Dr. Hafstad was the recipient, with M. A. Tuve, of an American Association for the Advancement of Science award in 1931 for research and development of the 1,000,000-volt vacuum tube. In 1946 he received the Medal of Merit from the Secretary of the Navy for his "major contribution in the development of significant improvements in ordnance for the Army and Navy."

* * *

Appointment of Paul A. Remmell as a Vice-President and of Edmund Leone as Comptroller of **Manufacturers Trust Company of New York**, was announced on Nov. 19 by Horace C. Flanigan, President of the trust company. Mr. Remmell began his banking career in December, 1924, with the **State Bank and Trust Company** which merged with Manufacturers Trust Company in January, 1929. In July, 1945, he was appointed Assistant Comptroller. Mr. Remmell will be Operations Co-ordinator of the bank's 111 offices. Mr. Leone joined the Capitol National Bank in March, 1924, and he became associated with the Manufacturers Trust through a merger in June, 1928. He was appointed an Assistant Vice-President in 1947 and in July, 1949, was appointed Auditor of the bank. Mr. Leone is a graduate of New York University and received his law degree from St. Lawrence University in 1930, and was admitted to the New York Bar in 1934. He is a member of the Executive Committee, National Association of Bank Auditors and Comptrollers, New York Chapter; he is a past President and at present a member of the Board of Governors of the Esquire Credit Club.

On Nov. 24 announcement of the appointment of Edward G. Petry as Auditor at Manufacturers Trust Company was announced by President Flanigan, of the trust company. Mr Petry joined the **State Bank and Trust Company** in 1921 and went to Manufacturers Trust at the time of the merger of the two institutions in 1929. In 1942, after working in various departments, Mr. Petry was placed on special assignment in the president's department. He was advanced to Assistant Secretary in 1947 and Assistant Auditor in March, 1954. Mr. Petry is a director of Cranmore Skimobiles, Inc., the Eastern Slope Hotel Corporation, Eastern Slope Ski School, Inc., etc.

* * *

Joining the trend of financial institutions moving into the midtown Fifth Avenue area, **The Royal State Bank of New York** announces on Nov. 22 that it has taken over three floors of the sky-scraper building at 245 Fifth Ave., at 28th St., under a 20-year lease, for its new principal and executive offices. Henry G. Barber, President and Chairman of the Board, reported that the institution plans to move into the expanded quarters about Dec. 15, following extensive reconstruction now underway. Mr. Barber declared the move into quarters nearly three times the space presently occupied at 1134 Broadway was necessitated by the substantial increase in the institution's business, which witnessed the growth of its deposits from $10,036,000 on Dec. 31, 1950, to $30,155,000 at the beginning of 1954. The bank services approximately 17,000 depositors. The bank maintains two branches — at 326 E. 149th St., the Bronx, and the Belmont Office at Arthur Avenue and East 187th St. The move to the new location at the southeast corner of Fifth Ave. and 28th St. will take place about six months after the name of the 30-year-old institution was changed from the **Royal Industrial Bank** to the **Royal State Bank of New York**.

The private executive offices of Mr. Barber, and William Goldfine, Executive Vice-President and a director, and other senior officers will be on the Mezzanine Floor, overlooking both Fifth Ave. and the public space on the ground level. Adjacent to the executive suites will be the offices of the secretariat and general operational staffs.

Mr. Barber, active in the New York banking field for 40 years, was named President of the bank in July, 1950. His career began when he became a Senior Auditor of the **Federal Reserve Bank in New York** following service as a Second Lieutenant in World War I. Later, he joined the Cosmopolitan Bank and the Colonial Bank as an Assistant Cashier, resigning from the latter to become Vice-President and Cashier of the Port Morris Bank. Subsequently, he was made Executive Vice-President when this institution was merged with the Melrose National Bank to become the National Bronx Bank. He joined the Sterling National Bank as Vice-President, then returned to the National Bronx in a similar capacity, remaining with the institution until is was merged with the Manufacturers Trust Co. He resigned as Vice-President in charge of this bank's four National Bronx Bank offices to become President of the Royal Industrial Bank on July 10, 1950.

* * *

A proposal to increase the authorized capital stock of **Marine Midland Corporation of Buffalo, N. Y.**, to 500,000 shares of cumulative preferred stock of $50 par value and 10,000,000 shares of common stock was approved by the board of directors of the corporation at a meeting held on Nov. 17 in New York City. The currently outstanding preferred stock has been called for redemption on Nov. 23. Presently the corporation is authorized to issue up to 8,000,000 shares of common. Stockholders will be informed of details in a special advices scheduled for Dec. 6. It is proposed to offer them the right to subscribe to approximately 400,000 shares of cumulative convertible preferred stock through transferrable warrants, to provide approximately $20,000,000. The plan will be submitted to them at a special meeting of stockholders to be held in Buffalo on Dec. 29.

If the plan is approved, the additional shares of common stock would be issued as needed for conversion of the preferred and for other corporate purposes, and the proceeds of the preferred would be available for investment in additional capital stock of the corporation's subsidiary banks and for other corporate purposes. In commenting on the proposed financing, Charles H. Diefendorf, President of Marine Midland Corporation, said:

"It is the purpose of Marine Midland management to keep pace with New York State's economic progress which will unquestionably be accelerated by such developments as the St. Lawrence Seaway and Power Projects and the New York State Thruway. Approval of this financing plan will put the Marine Midland banks in excellent position to support the growth that may be expected in the areas served by the banks."

The directors of the corporation also approved a proposal which would increase the benefits to personnel under the Retirement System of the **Marine Midland Banks** for the purpose of meeting the changes in the economic situation since the plan was started in 1945. This matter will also be voted upon at the special stockholders meeting on Dec. 29, and if approved by the stockholders and by the Internal Revenue Department, the amended provisions will become effective as of Dec. 31, 1954.

* * *

George C. Johnson, President of **The Dime Savings Bank of Brooklyn, N. Y.**, announced that at a meeting of the board of trustees of "The Dime" held Nov. 19, Leo B. Stein was appointed Assistant Secretary and Manager of the Coney Island branch of the bank. Mr. Stein entered the employ of "The Dime" in 1929. He has served in various capacities in the Bensonhurst and Coney Island branches including those of Assistant Manager and Acting Manager. Since the opening of the Coney Island branch in 1950, a total of 16,957 depositors today have more than $24,000,000 on deposit. Mr. Stein is also President of the Coney Island Board of Trade.

* * *

A proposed merger of the **Nassau County National Bank of Rockville Centre, New York**, and **The Franklin National Bank of Franklin Square, N. Y.**, under the name and charter of the Franklin National, was jointly announced on Nov. 18 by Ralph W. Taylor and Arthur T. Roth, Presidents of their respective institutions. The Office of the Comptroller of the Currency has given preliminary approval subject to the approval of the shareholders of the Nassau County National Bank. The new institution will have total resources of over $300,000,000. The resources of Nassau County National Bank are $30,000,000 and those of The Franklin National Bank are $275,000,000. The Nassau County National Bank has three offices, located at Rockville Centre, Roosevelt, and Uniondale. These offices will be retained and Warren A. Schneider will become Vice-President in charge of the Station Plaza office, Rockville Centre. The Roosevelt and Uniondale offices will also continue under the direction of their respective managers, Kenneth Soberg and Charles J. Horchler, Jr. The present South Shore office of The Franklin National Bank at Rockville Centre will be retained as another Rockville Centre office under the direction of Frank W. Breitbach, Vice-President and director. This will give The Franklin National Bank two offices at Rockville Centre. Ralph W. Taylor, President of the Nassau County National Bank, in announcing his forthcoming retirement said, "I am happy to have been a participant in the negotiations which will result in the merger of Nassau County National Bank with The Franklin National Bank, which is one of the nation's leading banks in growth, earnings and service." William J. Sullivan and Judge Francis G. Hooley are to become directors of the Franklin National Bank at its annual stockholders meeting in January of 1955. Mr. Sullivan is an attorney at Rockville Centre and has been associated with the Nassau County National Bank as a Vice-President and director as well as Counsel. Judge Hooley, now Official Referee, served as Judge of the Supreme Court in the district for the past 17 years and was also a director and one of the founders of the Nassau County National Bank.

* * *

Stockholders of the **Fort Neck National Bank at Seaford, Long Island, N. Y.**, at a special meeting authorized a two-for-one split in the capital stock and the issue and sale of 26,000 shares of additional capital stock to holders of record Nov. 16; price $20 per share. Subscription warrants will expire Dec. 7 (EST). The offering to stockholders will be underwritten by Blair & Co. Inc. The Fort Neck National Bank has its main office at Seaford, Lond Island, and a branch in Wantagh and a branch in Massapequa. The bank has received permission from the Comptroller of the Currency to open a branch in Massapequa Park. It is expected that such branch will be opened early in 1955. Previous items regarding the bank appeared in our issues of Nov. 4, pp. 1847 and 1865; Nov. 11, p. 1970 and Nov. 18, page 2070.

* * *

A stock dividend of $62,500 has served to increase the capital of the **First National Bank of Cortland, N. Y.**, from $637,500 to $700,000, the new capital having become effective Nov. 5.

* * *

A banking consolidation combining three banking institutions in Hartford, Conn., has been brought about as a result of the union of the **Connecticut River Banking Company** and the **Travelers Bank & Trust Company of Hartford** with the **Hartford National Bank & Trust Company**, capital $7,050,000. Each of the other two banks had a capital of $500,000 each. At the effective date of the opening of the consolidated bank on Nov. 1, the enlarged **Hartford National Bank & Trust Company** (the consolidation was effected under that bank's charter and title) had a capital of $8,800,000, divided into 880,000 shares of common stock, par $10 each; surplus of $10,200,000 and undivided profits of not less than $4,000,000. The main office of the Connecticut River Banking Co. is to be known as the "Connecticut River Branch" of the Hartford National Bank & Trust Co. An item bearing on the proposed merger appeared in our issue of Oct. 21, page 1606.

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Through the sale of $100,000 of new stock the **Marine National Bank of Wildwood, N. J.**, increased its capital, effective Nov. 5, from $200,000 to $300,000.

* * *

A bank consolidation has taken place in Allentown, Pa., between the **Second National Bank of Allentown**, with common stock of $450,000 and the **Allentown National Bank**, with common stock of $1,000,000, the consolidation having been effected as of Nov. 5, under the charter of the Second National Bank and under the title of the **First National Bank of Allentown**. The consolidated bank starts with a capital stock of $2,000,000 divided into 200,000 shares of common stock (par value $10 each), surplus of $4,000,000 and undivided profits and reserves of not less than $560,000. The main office of the consolidated bank will be located at the present main office of the Allentown National Bank, at 11-15 North 7th St., Allentown, Pa. The consolidated bank was scheduled to open on Nov. 8.

* * *

A $100,000 stock dividend, which became effective Nov. 3, has enlarged the capital of the **Alliance First National Bank of Alliance, Ohio**, from $500,000 to $600,000.

* * *

The American National Bank of Noblesville, Ind., has increased its capital as of Nov. 8 from $200,000 to $250,000, by a stock dividend of $50,000.

* * *

Under date of Nov. 4 the **Elgin National Bank of Elgin, Ill.**, enlarged its capital from $125,000 to $150,000, as a result of a stock dividend of $25,000.

* * *

The majority stock interest in the **Security National Bank of Cairo, Ill.**, has been acquired by Barney Fisher, President of Barney Fisher and Associates, St. Louis, nationally known paper mill agents, it was announced at St. Louis on Nov. 15. Mr. Fisher will actively direct the bank's management as President and Chairman of the Board. Security National, the only National bank in Cairo, has deposits totaling $5,000,000 and servies an area extending as far as Cape Girardeau, Mo., and Paducah, Ky. In disclosing plans for the bank, Mr. Fisher expressed the view that the Cairo area, at the confluence of the Mississippi and Ohio Rivers, will be the center of great economic expansion in the immediate future. The controlling interest in the bank was purchased by Mr. Fisher from C. C. Carter, U. A. Swisshelm and Harold S. Weber, representatives of Cairo families related to founders of the institution, which was established in 1933. Present Security National officers—William Eichoff, Executive Vice-President, and R. C. Meisenheimer, Cashier—will continue to serve. In serving the bank, Mr. Fisher will also maintain his activity in connection with other business interests which, in addition to the paper mill agency, include: President, Chesterfield Warehouse Co., bonded public warehousing in Missouri and Illinois; owner of real estate holdings in St. Louis County; member, President's Council, American Manufacturers' Institute, and member, Master Brewers' Association of America.

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The directors of **The Detroit Bank of Detroit, Mich.**, at a meeting held Nov. 16, declared a quarterly dividend of 50 cents a share on the $10 par value common capital stock of the bank, payable Dec. 22, to or upon the order of shareholders of record Nov. 30, 1954. This is an increase in the annual rate from $1.80 per share to $2.00 per share. The board also authorized the transfer of $2,000,000 from undivided profits to surplus, effective the same date.

* * *

Under date of Nov. 15 the stockholders of **The Bank of Asheville**

at Asheville, N. C., have been advised by President Philip Woollcott that in keeping with authority previously given by the stockholders, the directors of the bank at a recent meeting voted to issue 2,500 additional shares of capital stock of $10 par value, increasing the outstanding shares from 20,000 to 22,500. In accordance therewith the stockholders of the bank as of date Nov. 13, have been offered the right to subscribe to an purchase one new share of stock for each eight shares owned on that date. The price of the stock is $25.00 per share, of which $10 will be credited to capital and $15 to surplus. Stockholders will have until Dec. 15, 1954, to exercise their rights to purchase new shares, and such rights will expire on that date. In view of the underwriting referred to below, payment for shares subscribed to must be received by the bank no later than Dec. 15. It it stated that the resolution of the stockholders authorizing the increase in capital specifically provides that no fractional shares are to be issued. Those stockholders whose present number of shares cannot be divided by eight, may subscribe to the next higher whole number of shares. Subscriptions do not have to be for the full number of shares to which a stockholder is entitled, but may be for any part thereof.

McCarley & Company, Inc., and Merrill Lynch, Pierce, Fenner & Beane have agreed to purchase from the bank at $25 per share any shares not subscribed for by stockholders under their rights, and will distribute such shares to the public.

The additional 2,500 shares at $25 per share will produce $62,500, of which $25,000 will go to the capital account, increasing it from $200,000 to $225,000, and $37,500 will go to the surplus account. The directors also voted to transfer $37,500 from the undivided profits account to the surplus account, making the surplus account $275,000; so that the total capital and surplus, after the new stock is issued, will be $500,000. At the same meeting, the directors declared the regular semi-annual dividend of 3% and a special dividend of 2%, both payable Dec. 15 to stockholders of record Nov. 13.

* * *

The board of directors of **The Fulton National Bank of Atlanta, Ga.,** announces as of Nov. 11 the following promotions in its official staff: Erle Cocke, Vice-Chairman of the board of directors and Chairman of the Executive Committee; William V. Crowley, President; Gordon Jones, Executive Vice-President and Carl M. Floyd, Senior Vice-President.

* * *

The Republic National Bank of Dallas, Texas, has set Dec. 1 as the date for the dedication of its new banking house and office building at Pacific Avenue and Ervay Street, and the time as 10:30 a.m. There will be a special entertainment starting at 9:30 a.m. The bank recently increased its capital from $24,000,000 to $26,040,000 by a stock dividend of $2,040,000, incident to the consolidation with the Republic Bank of **the National City Bank of Dallas,** referred to in our issue of Nov. 4, page 1847.

* * *

The El Paso National Bank of El Paso, Texas, now (as of Nov. 5) has a capital of $2,500,000, increased from $2,000,000 by a $500,000 stock dividend.

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An addition of a $1,000,000 stock dividend to the capital of the **First Security Bank of Utah, National Association, of Ogden, Utah,** has raised the bank's capital, effective Nov. 4, from $4,000,000 to $5,000,000.

Philip S. Fogg, Chairman of the Board and President of the Consolidated Engineering Corporation, Pasadena, has been elected a director of the **Security-First National Bank of Los Angeles, Calif.,** according to an announcement by George M. Wallace, Chairman of the bank's board of directors. In 1937, Mr. Fogg, while a Professor at California Institute of Technology, became Treasurer of a small engineering firm pioneering in the frontier of science. Today he heads the firm, **The Consolidated Engineering Corporation,** and three subsidiaries: the Consolidated Vacuum Corporation of Rochester, N. Y., CEC Instruments, Inc., Pasadena, Calif., and Electro Data Corporation, Pasadena. The parent organization has a modern plant at 300 North Sierra Madre Villa, Pasadena. Sales last year were $14,000,000. Born in Michigan, Mr. Fogg first entered the business world as a statistician, later became an investment analyst, then a Professor at California Institute of Technology. From 1947 to 1949, he served as Special Advisor to the Atomic Energy Commission. Mr. Fogg has been a lecturer at the American Institute of Banking, Los Angeles. He is a past President of the Pasadena Rotary Club and Pasadena Chamber of Commerce, and is a director of the Harvard Business School Association, Boston.

* * *

As we recently announced in these columns, (Nov. 11, page 1961) the increase in the capital stock of the **Anglo California National Bank of San Francisco,** was recently successfully concluded. As a result of the sale of new stock to the amount of $5,250,000 the capital was increased, effective Oct. 28, from $21,000,000 to $26,250,000.

* * *

Stockholders of the **First Western Bank and Trust Company of San Francisco, Calif.,** at a special meeting on Nov. 17 ratified a plan for acquisition by First Western of 23 State and National banks in California which are now subsidiaries of **Transamerica Corporation of San Francisco.** Directors of all of the 23 banks had previously approved the transaction, according to T. P. Coats, Chairman of the Board of First Western. First Western's shareholders at the meeting also approved a change in the bank's by-laws to provide for an increase in the number of directors serving on its board from 15 to 21. The new directors elected at the meeting were: Fred Forgy, business executive of Santa Ana, Calif.; Warren A. Harlan, Long Beach, Calif., banker; Mervyn Hope, President of the Hollywood Savings & Loan Association, Hollywood; and J. A. Parma, Santa Barbara business executive.

Consolidation of the 23 independent banks with First Western will create the second state-wide banking system in California and will rank First Western the fourth or fifth bank in the State, based on deposits. The new state-wide bank will have total resources of approximately three quarters of a billion dollars and 55 banking offices scattered through the State from Pasadena in the south to Weed in the north. Management of the new big banking system will remain unchanged, Mr. Coats said. He is Chairman of the banks' board of directors; Rudolph A. Peterson is Chairman of the bank's executive committee and Senior Vice-Chairman of the Board, and Henry Verdeling is President. Mr. Coats pointed out that final consummation of the transaction is subject to the approval of State, and Federal banking authorities.

The banks involved in the transaction follow:

American Commercial and Savings Bank of Moorpark, Calif.; Bank of Beaumont, Beaumont, Calif.; Bank of Newman, Newman, Calif.; Bank of Pinole, Pinole, Calif.; Bank of Tehachapi, Tehachapi, Calif.; Central Bank of Calaveras, San Andreas, Calif.; Farmers and Merchants Bank of Watts, Calif.; First National Bank of Corcoran, Calif.; First National Bank, Delano, Calif.; First National Bank, Santa Ana, Calif.; First National Bank, Turlock, Calif.; First National Bank of Bellflower, Calif.; First National Bank of Crows Landing, Calif.; First National Bank of Fairfield, Calif.; First National Bank of Garden Grove, Calif.; First National Bank of Los Altos, Calif.; First National Bank of San Jacinto, Calif.; First National Bank of Weed, Calif.; First National Trust and Savings Bank of Santa Barbara, Calif.; First Savings Bank of San Jacinto, Calif.; First Trust and Savings Bank of Pasadena, Calif.; Temple City National Bank, Temple City, Calif.; Western Bank, Long Beach, Calif.

Following the meeting of shareholders on Nov. 17 the bank's board met and declared a dividend of 50 cents a share on the bank's capital stock, payable Dec. 15 to stockholders of record Nov. 29. Previously, dividends of $1.80 a share have been paid this year, so that the 50 cents payable Dec. 15 will bring to $2.30 a share the aggregate amount of dividends paid by the bank this year. The board decided on Nov. 17 it would withhold action on establishing the 1955 dividend rate until early in the new year. Previous items concerning the First Western Bank & Trust Co. appeared in our issues of Nov. 11, page 1961 and Nov. 18, page 2048.

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Rudolph S. Turek, Vice-President of the **First National Bank of Nevada (Reno)** will join the **First Western Bank and Trust Company (The San Francisco Bank** formerly), effective immediately, it was announced Nov. 15 by T. P. Coats, Chairman of the Board of **First Western.** Mr. Turek will be Vice-President of First Western in charge of commercial loans at the bank's main office in San Francisco. He is a native of Oakland, and has been in banking since 1924. He left his San Francisco Bay area banking job in 1948 to join the **First National Bank of Nevada** as an Assistant Vice-President.

* * *

W. F. McLean has been elected a director of **The Canadian Bank of Commerce,** (head office Toronto) it was announced over the past week end. Mr. McLean is President of Canada Packers, Ltd. and a director of Canadian General Investments, Ltd. and Windsor Court Apartments, Ltd.

Vietor, Common, Dann to Admit Worthington to Firm

BUFFALO, N. Y.—Charles H. Worthington will acquire a membership in the New York Stock Exchange, and on Dec. 2 will become a partner in Vietor, Common, Dann & Co., Ellicott Square, members of the New York Stock Exchange.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

One of the bright spots in the insurance underwriting field at the present time is the trend of fire losses.

Of course the insurance companies are now absorbed in the losses and adjustments resulting from hurricanes Carol, Edna and Hazel. These storms swept through wide sections of the eastern states and Canada during the past three months. Early reports indicate very substantial losses and many of the companies will undoubtedly show very sizable underwriting losses for the year in spite of gains made earlier. Some individual companies have already made estimates of what total losses may be. However, claims are still being received from the storms now two and three months old, so that the final figures are as yet undeterminable.

In the face of this, it is encouraging to review what has been happening to straight fire losses.

According to figures published monthly by the National Board of Fire Underwriters, October represented the sixth consecutive month in which losses were below the corresponding period of 1953. When it is realized that losses have been increasing almost constantly for the past several years the change has real significance.

October losses were also significant in another respect. The total amounting to $57,668,000 was the lowest for any month since August of 1952 when $56,462,000 was reported. October losses were down 15.9% from the $68,551,000 shown in October, 1953 and 10% lower than the figure of $64,087,000 reported for September of this year.

Figures of estimated fire losses in the United States prepared by the National Board of Fire Underwriters for the past three years are shown below.

Month	1954	1953	1952
January	$86,493	$76,659	$74,155
February	78,928	72,706	69,925
March	84,821	83,471	72,254
April	77,933	67,362	67,380
May	62,282	64,239	62,354
June	65,533	67,644	58,585
July	69,532	74,938	61,675
August	78,163	107,713	56,462
September	64,087	68,613	58,949
October	57,668	68,551	63,953
Ten months	$725,440	$751,896	$645,697
November		68,064	65,129
December		83,440	74,127
Year		$903,400	$784,953

As can be seen, losses for the first 10 months of the current year showed a decline of $26,456,000 or about 3.5% from the same period of 1953. It is interesting to note, however, that all of this decline is attributable to the lower figures for August. In August of 1953 the General Motors fire at Livonia with losses approaching $50 million increased the total very materially for that month. In fact for August of 1954 losses totaled $78,163,000, $29,550,000 less than a year earlier or slightly more than the difference in the two years for the first 10 months.

Providing present trends continue and there are no catastrophes or large fires, losses for the full year 1954 will be less than 1953.

The unusual figure for October is not expected to be duplicated in the final two months. Actually this is the heating season and fire losses normally rise at this time of year so that the final months may approach loss totals close to those of last year. Thus for the full year the total fire losses may be around $875 million or somewhat below the record total of $903 million reported in 1953.

J. J. B. Hilliard to Admit

LOUISVILLE, Ky.—On Dec. 2 J. J. B. Hilliard & Son, 419 West Jefferson Street, members of the New York and Midwest Stock Exchanges, will admit to partnership Watson B. Dabney and John H. Stites, Jr.

Strauss, Phillips Branch

Strauss, Phillips & Co., members of the New York Stock Exchange, have opened a branch office at 120 Broadway, New York City, under the management of Sidney H. Strauss, resident partner.

U. S. Election Results and Sterling Convertibility

By PAUL EINZIG

In commenting on changed prospects regarding a return to sterling convertibility which may result from the outcome of the recent elections in the United States, Dr. Einzig sees some slight indication of the adoption of a more liberal trade policy, though he points out, even with a Democratic majority in Congress, there is still doubt that the protectionist policy will be abandoned. Finds other factors indicating sterling convertibility is nearer.

LONDON, Eng. — The coming London Conference of Commonwealth Prime Ministers, which will open at the end of January, will provide an opportunity for a re-examination of the position and prospects regarding a return to convertibility. First reactions in Britain to the results of the recent Congressional elections in the United States indicate a widespread feeling that the emergence of a Democratic majority improves on balance the prospects of a relatively early convertibility. This feeling is based on the assumption that President Eisenhower will find it now easier to secure the adoption of legislation liberalizing American foreign trade policy. By the time the Commonwealth Conference meets, he will have delivered his State of the Union Address to the new Congress, so that the Commonwealth Prime Ministers will be in a better position to judge the prospects of liberalization.

Dr. Paul Einzig

In view of the fact that the President has repeatedly committed himself, in public statements and in private conversations with British Ministers, in favor of implementing the recommendations of the Randall Report, there can be little doubt that he will continue to follow that course. What is not considered certain is whether the Democrats will in fact use their majorities in both houses to pass the necessary legislation to enable the Administration to lower the tariff wall, to simplify the Customs procedure, and to mitigate the Buy America Act. It is true, Democrats are considered to be less protectionist than Republicans. But it is remembered that even Cordell Hull, that apostle of free trade, was inclined to preach his doctrine for foreign consumption rather than practice it at home. So the general attitude over here is one of "wait and see," pending the appearance of more distinct indications of the effect of the change.

In itself the re-statement of President Eisenhower's liberalizing program in his Message to Congress will not be sufficient to induce the Government to change its present policy in respect of convertibility. It will be considered necessary to await the actual adoption of the proposed liberalizing legislation by Congress. This delay will make it possible to defer decision until after the general election which is now expected to be held next autumn. In any event it is difficult to visualize any circumstances in which the Government would take the political risk of restoring convertibility on the eve of a general election.

Apart from the view that a Congress with a Democratic majority is more inclined to liberalize, convertibility is considered to have come somewhat nearer as a result of the change in the United States also because it is assumed that, under the influence of the change, the Administration will be inclined to pursue a "softer" monetary policy. This is considered important from two points of view. Even though British businessmen are no more New Dealers than their American counterparts, they do think that the increaesed political influence of the Democratic Party will tend to discourage monetary measures that are liable to aggrevate the present mild recession in the United States, and to encourge measures that will tend to bring about an upward turn. From the point of view of the Sterling Area's balance of payments in relation to the Dollar Area, this is considered a matter of considerable importance.

It is felt that, if Britain and the Sterling Area were able more than hold their own in spite of the American recession, a trade revival in the United States would enable them to increase their gold reserve. This would bring nearer the day on which the gold reserve comes to be considered to be strong enough to make it possible to resume convertibility without taking undue risk. The figure envisaged in many quarters is around $5,000 million, not counting any credit facilities which would reinforce the technical position of a convertible sterling.

The expectation of a softer American monetary policy encourages hopes of early sterling convertibility also because it would enable Britain to maintain the present low level of interest rates, and even lower it further, without risking large-scale withdrawals of overseas balances.

It is also assumed that under the influence of the Democratic majority the Administration will be less inclined to cut foreign aid. This is a matter of foremost importance, because the disappearance of the dollar gap and the reversal of the flow of gold in 1953-54 has been entirely due to American foreign aid. Without it the dollar gap would undoubtedly have continued. Moreover, the Administration may find it easier to secure the approval of the proposed stand-by dollar credits by the present Congress than it would have by the previous Congress.

All arguments are not, however, on one side. In many Conservative quarters the prospects are viewed with less optimism, because it is feared that the moderate change of the majority in Congress may foreshadow a similar Leftward change in Britain. On more than one occasion in recent history the swings of the electoral pendulum in either direction were of an international character. If the success of Democrats in 1954 foreshadows the replacement of the present narrow Conservative majority by a narrow Socialist majority in Britain in 1955, it may mean an indefinite postponement of convertibility, not only because a Labor Government would not feel bound by the conditional undertaking given to that end by Mr. Butler, but also because British monetary policy under a Labor Government is liable to become more expansionary.

However, all this speculation may be rather premature. It is safe to assume that in any event there will be no convertibility until the autumn of 1955.

Road to Socialism

"Under the present procedure of each shirking his responsibilities and then calling on Washington for aid, we can only become increasingly socialized and thus economically dependent upon centralized authority. By this means the time is not far distant when we will be cared for like cows and chickens on a national farm called the Socialized State of America!"—Dr. Walter R. Courtenay, Pastor, First Presbyterian Church, Nashville, Tenn.

Alvin Delaire to Be Gruss Co. Partner

Alvin J. Delaire, member of the New York Stock Exchange, on Nov. 30 will become a partner in Gruss & Co., 52 Broadway, New York City, members of the Exchange. Mr. Delaire is a partner in McLaughlin, Reuss & Co.

White, Weld to Admit Howe to Partnership

On Dec. 2, Nathaniel S. Howe, member of the New York Stock Exchange, will be admitted to partnership in White, Weld & Co., 40 Wall Street, New York City, members of the New York Stock Exchange and other leading exchanges. Mr. Howe is a partner in Vietor, Common, Dann & Co.

Irving Lundborg Branch

MENLO PARK, N. J.—Irving Lundborg & Co. has opened a branch office at 1134 Chestnut Street, under the direction of Theodore D. Blake, resident partner.

With Hamilton Management

(Special to The Financial Chronicle)

DENVER, Colo.—Frank A. Kerner is with Hamilton Management Corporation, 445 Grant Street.

Joins J. B. Henri Staff

(Special to The Financial Chronicle)

DENVER, Colo. — Oscar P. Hoppe has joined the staff of J. B. Henri Co., U. S. National Bank Building.

Havener-Hall Secs.

Havener-Hall Securities Corporation is engaging in a securities business from offices at 51 East 42nd Street, New York City.

Joins FIF Management

(Special to The Financial Chronicle)

DENVER, Colo. — Douglas H. Campbell has become affiliated with FIF Management Corporation, 444 Sherman Street.

Three With Allen Inv. Co.

(Special to The Financial Chronicle)

BOULDER, Colo.—George L. Livingston, Merlin H. Menk and Henry C. Tanner are with Allen Investment Company, 1921 14th Street.

With Amott, Baker Co.

Barclay T. Kenyon, Jr., has joined the retail sales organization of Amott, Baker & Co., Incorporated, 150 Broadway, New York City.

With Dean Witter Co.

Frank S. du Bell is now with Dean Witter & Co., 14 Wall Street, New York City, in the municipal department.

The Agricultural Situation

By ROGER W. BABSON

Mr. Babson, commenting on the final results of estimated crop production, points out this year's crops, though not a record, will be relatively large, and output of most products will be above the average. As to outlook for 1955, says, whether flexible price supports will go into effect or not, farmers should not suffer next year.

Last July I was quite bullish on the national crop outlook. Final results, which now are just about all tallied, largely confirm my earlier optimism. Although the 1954 total volume of all-crop production will not chalk up a new record, it will still be relatively large.

Roger W. Babson

Despite a series of hurricanes, severe drought in some areas, sizable shifts in land use and government controls, most of the miscellaneous crops are above the 1943-1952 average. Included in this group are oats, barley, rye, flaxseed, rice, sorghum grain, cotton, all hay, dry edible beans, dry field peas, soybeans, tobacco, sugar cane, and sugar beets. Cotton—a major crop, is also above average. Below-average crops, however, include such major crops as corn, wheat, peanuts, Irish potatoes, sweet potatoes, and hops.

The outlook for fruits is, for the most part, favorable. However, I expect below-average crops of grapes and commercial apples. Supplies of the delectable cranberry will be sufficient to meet holiday, as well as winter needs. A whopping early and mid-season outturn of citrus fruit is indicated. The pear crop should be about average size. Pecans are likely to be in short supply in the year ahead. In the case of almonds, filberts, and walnuts, I expect above-average crops.

Corn and Soybeans

The indicated corn outturn of 2,938,713,000 bushels is down 7.5% from 1953 and 4% below average. This crop may well fall short of probable consumption in 1954-1955. However, the Oct. 1 carryover of 918,200,000 bushels (largely in the hands of CCC) was a record high. Thus, total supplies should suffice, but the carryover next Oct. 1 will be reduced. I forecast higher average corn prices as the season works along. This is also true of apple prices.

U. S. farmers really "went to town" on soybeans. The indicated record outturn of 337,990,000 bushels will by no means prove burdensome, in view of the excellent outlook for domestic consumption and exports. Many farmers are holding their new-crop beans for higher prices, which, in my opinion, appears to be a smart move. In any event, they can put their beans into the government loan if prices should decline!

Cotton and Rice

There will be much more than enough U. S. cotton to service total 1954-1955 requirements. The indicated crop of 13,206,000 bales is, alone, sufficient for probable season's needs, not to mention the big carryover last Aug. 1 of around 9,700,000 bales—largely in government hands. Cotton obviously is in trouble, but Uncle Sam no doubt will continue to bail it out by means of the loan and hopped-up exports. I have confidence in the cotton raisers. They are high-grade people who will work out a fair long-term solution.

Unfavorable growing conditions cut the rice yield in California—an important producing state. However, the four southern producing states—Arkansas, Louisiana, Mississippi, and Texas—turned in a fine performance. The total U. S. corp of 58,534,000 bags of rice, of 100 pounds each, is still a record high. Even so, supplies should not prove burdensome, and I forecast prices are likely to average somewhat higher over the longer-term.

A Glance at 1955

There is no question in my mind that the Democratic leaders in Congress will go to bat vigorously for the farmers in 1955-1956. For one thing, they probably will try to restore 90% supports, as compared with the present sliding-scale of 82½% to 90%. The fight on this program, I predict, will be stiff. They may make a play also for a larger cotton acreage than the present permitted acreage of 18,100,000.

In any event, the farmers should not suffer next year. Farm prices certainly are in no immediate danger of collapsing. In fact, farm income in 1955 should be off only moderately from that of this year. This means that farmers will still enjoy a comparatively favorable status, and that agricultural areas will continue to offer good markets to aggressive merchandisers of attractively-priced quality wares.

John J. Fosdick With Eddleman-Pollock Co.

HOUSTON, Tex. — John Jay Fosdick has become associated with Eddleman-Pollok Co., First National Bank Building. Mr. Fosdick was formerly Houston Manager for Russ & Co., Inc., and prior thereto was with Dallas Rupe & Son in their Municipal Bond Department.

Prospects Regarding The Railroads

By J. ELMER MONROE*
Director, Bureau of Railway Economics
Vice-President, Association of American Railroads

Railroad spokesman contrasts declines in rail traffic and earnings with the growing strength of the national economy, and cites statistics of carloading and operating revenues. Lays situation to the unfavorable competitive position of the railroads, due to subsidies granted other means of transportation. Stresses importance of sound rail lines in event of a national emergency, and also expresses view that improved business conditions alone will not restore rail traffic and earnings to levels attained in former years. Concludes, what is needed is elimination of inequities in the competitive transportation field.

The railroads and the economy generally have been going through a period of adjustment, or settling down, which began in the late summer of 1953. For the economy as a whole it is now apparent that this downward adjustment has been rather mild. In the President's report on the national economy, issued in mid-August, he pointed out that most of the economic indicators show only slight declines for the first half of 1954, as compared with the corresponding period of 1953. The report goes on to state that the Gross National Product was down 2.7% and that non-agricultural employment was down 2.6%. Comparing these two periods, it is further shown that total personal incomes actually were up slightly in the first half of 1954. These comparisons are remarkable when consideration is given to the fact that, as the report points out, in the first half of 1953 our country was enjoying, by all the usual standards, a very high level of prosperity. Many of the basic economic indicators reached all-time high levels last year.

J. Elmer Monroe

It is all the more significant, in view of the continuing strength of the general economy, that declines in traffic and earnings of the railroads have been much more severe since the summer of 1953. This is shown by every statistical measure, among which I will mention only a few. For the first 40 weeks of this year, total carloadings have been nearly 14% less than in the corresponding period of 1953, and recent weeks have shown no improvement. Freight traffic in ton-miles for the first eight months of 1954 was down 11.9% and total operating revenues dropped 13.7% compared with the first eight months of 1953. Because many elements of operating costs can not be reduced proportionately when traffic and revenues decline, the effect upon the net earnings of the railroads has been most serious. Again, for the first eight months of this year, net railway operating income was 32.8% less than a year ago, and net income after fixed charges dropped 41.0%. The effect upon the financial resources of the railroads and their spending budgets has been very pronounced, as some of you know from your own sales figures.

Why Railroad Traffic Has Declined

Why is it, you may ask, that railroad traffic has declined so much more than the general level of economic activity during the past year? Largely, the answer is found in the fact that there have been substantial declines in the hard goods industries, notably steel, automobiles and appliances, which account for a large part of railroad traffic both in finished products and the raw materials going into them. Movements of iron ore and coal, as well as of products manufactured from them, have been substantially reduced. It is necessary to remember, that in 1954, comparisons are being made with very high levels of economic activity attained in the first half of 1953.

Beyond this, however, the plain and disturbing truth is that the railroads have not shared as they should in the generally prosperous conditions of the economy as a whole. It is not possible here to analyze fully all of the reasons for this unfavorable condition, but there is no question but that the outstanding explanation is the competitive situation with which the railroads are surrounded, much of it subsidized competition which leans on the Government for the provision of transportation facilities. This unequal competitive position is not only a matter of very great concern to the railroads but is no less harmful to their suppliers, their employees, and to communities and shippers dependent upon good railroad service for their transportation needs.

In truth, the country as a whole has a vital interest in improving railroad traffic and earnings in order that the requirements of commerce and the national security may be met fully and adequately. It would be difficult to imagine a greater calamity than to have our nation confronted with a great national emergency when the essential railroad system had become impoverished and weakened. The year 1954 will stand as a year of warning as regards the railroads.

The conditions I have outlined have important effects upon the ability of the railroads to make necessary expenditures for maintaining and improving their properties. It is a stern fact of business life that no matter how essential such expenditures may be, they can be undertaken only insofar as financial resources will permit. This may be demonstrated with reference to the capital expenditures of the railroads in recent years. In the eight post war years, 1946 to 1953, Class I railroads spent 9.1 billion dollars for additions and betterments to their properties or an average of 1.1 billion dollars a year. In 1953, such expenditures amounted to 1¼ billion dollars. These amounts may be contrasted with estimated total capital expenditures of only 806 million dollars for all of 1954, or 36% less than for 1953. The consequences of this decline are evident when its effect upon employment is considered. The railroads have almost no means of external financing except in the acquisition of equipment, for which very large amounts of indebtedness and fixed charges have already been incurred and which must be liquidated within the next 10 to 15 years.

Since the end of World War II and through 1953, nearly all of the 9 billion dollars spent by railroads for capital improvements, had to be derived from their own internal sources. About one billion dollars was taken from reserves built up during the war period, approximately 3.5 billion dollars came from annual depreciation accumulations, about 2.6 billion dollars came from earnings withheld from the owners of the properties, and the remaining 1.9 billion dollars from the issuance of equipment obligations. Thus, nearly 80% of the total was generated through traffic and operating revenues.

Railroad Maintenance Expenses

Let us now consider the expenditures of the railroads in maintaining their properties in good condition, for that is where your own industry comes in. Here, too, the railroads must fit their expenditures to their ability to pay their suppliers for materials and their employees for work performed. A tabulation of maintenance expenditures of Class I railroads for the years since World War II shows a striking stability in the ratio of maintenance expenditures to total operating revenues. Expenditures for maintenance of way and structures regularly take about 14 to 15% of revenues and maintenance of equipment expenses between 18 and 19%. Year by year, without much variation in the ratio, these total maintenance expenditures take just about one-third of the Class I railroads' total operating revenues. One out of every three dollars taken in by the railroads goes to keep their plant and equipment in proper shape.

The stability of these ratios reflects the necessity to control expenditures, where possible, with changes in scale of operations and revenues. One of the unfortunate consequences of this necessary budget control is the unstabilizing effect which is transmitted to the industries which furnish the railroads with their material and supplies. As a result of declining traffic and revenues, expenditures of the railroads for maintenance of way and structures in the first eight months of 1954, were reduced by 13.9% below the first eight months of 1953. Over the same period, operating revenues dropped 13.7%. As would be expected, these reductions are also reflected in employment. The average number of maintenance of way employees in the first eight months of 1954 was 16.5% less than the corresponding period last year.

Railroads Need More Money

The conditions to which I have referred lead to the conclusion that if the railroads are to spend more to improve and maintain their properties they must have more money to do it. The best way to accomplish that is through increased volume of traffic. That is one of the elementary truths with which every self-supporting business must contend, as I am sure you well know from your own experience.

In preparing these remarks, I made some examination of the figures for prior years on the purchase of cross ties by the railroads. As I did so I took note, of course, of the long-term decline which has occurred in the total number of cross ties laid in replacement by the railroads as a result of the shift to long-lasting treated wood. Whereas, in 1920 the total replacement amounted to nearly 87 million ties, in 1953 it was just under 30 million. I noted also that in each of the past five years from 1949 through 1953 the number of cross ties laid in replacement has varied only slightly from a thirty million annual total, nearly all of them new and treated.

Pursuing the figures a little further, I noted that the total charges of the Class I railroads for cross ties laid in replacement have amounted in recent years to about 9/10 of 1% of their total operating revenues, with no very great change in this ratio from year to year. Thus, with respect to this particular item, there is a rather definite relationship to operating revenues, marking the ability of the railroads to buy and pay for this very essential material. For the year 1953 the total charges for cross ties laid in replacement amounted to slightly over 99 million dollars, which is a greater amount than for any other year since 1930. Since World War II, the outlay for ties, which includes certain transportation handling costs as well as the purchase price, has ranged from a low of 82.5 million dollars in 1949 to 99 million dollars in 1953. The annual average for the 1946 to 1953 period was $89,352,000 and the range of variation from year to year within this period has been somewhat less than for maintenance of way and structure expenses as a whole.

It is evident that 1954 will not measure up as a very good year for the cross-tie industry, largely because of necessarily curtailed purchases by the railroads. For the first three months of this year, it is reported that railroad purchases of cross ties amounted to 20.8 million dollars as compared with 21.4 million dollars in the first three months of 1953, or a decline of three per cent. In view of the decline in production of ties and the low level of railroad earnings, it does not appear that the year as a whole will make a better showing.

What about the prospects for the year 1955? While it is clear that existing conditions for the railroads as well as for the producers of cross ties are not good, the question in which we are all interested now is what lies ahead. Unless traffic conditions improve, the railroads will continue to be under the necessity of holding down their expenditures where practicable, and this means that to some extent maintenance requirements will only be deferred rather than reduced.

Now as to the future, I certainly do not pretend to have any special gift of prophecy, nor do I pose as any kind of an economic seer. Even so, it is necessary for all of us to do what little we can to peer through the misty curtain of the future so that necessary business planning can go forward.

Business Outlook Improving

At present there seems to be a rather widespread hopefulness among analysts and forecasters that a bottom has been reached and that a business upturn can be expected over the coming year. In some important lines, there have been recent indications of increased activity. The rate of steel production has shown a firming tendency in recent weeks and it appears that the heavy goods industries may be headed toward higher levels of operation. According to latest reports, construction contracts continue to be awarded on a large scale. As now foreseen, 1955 is expected to be an active year in automobile production, which is one of the key factors in determining the general level of the economy. With larger orders coming in, soft goods industries such as textiles and shoes have been stepping up their operations.

If these expectations of improved business are sustained, railroad traffic and revenues will also respond and the carriers would then be in better position to make increased outlays for maintenance and improvements in 1955. Let it be noted, however, that general improvement of business conditions will not alone restore railroad traffic and earnings to levels attained in former years. We still need sound public policies regarding competition in transportation. Constructive steps to eliminate inequities in the competitive transportation field could be most helpful. Such remedial action would, of course, be beneficial not only to the railroads but, as I said earlier, to their suppliers, their employees, and to the public generally in its basic dependence upon a strong and improving system of railroad transportation.

*An address by Mr. Monroe before the Railroad Tie Association, Washington, D. C., Oct. 21, 1954.

Business Man's Bookshelf

America's Foreign Trade Policy and the Gatt—Raymond Bernon—International Finance Section, Department of Economics and Social Institutions, Princeton, University, Princeton, N. J. (paper), on request.

Automatic Merchandising: 1955 Directory—National Automatic Merchandising Association, 7 South Dearborn Street, Chicago 3, Ill. (cloth) $3.

Bases for Industrial Relations—Waldo E. Fisher—Industrial Relations Section, California Institute of Technology, Pasadena, Calif. (paper) $1.50.

Complete Publications List Fall 1954—Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y. (paper).

Motor Truck Facts 1954 Edition—Automobile Manufacturers Association, New Center Building, Detroit, Mich. (paper).

Occupational Mobility in the United States 1930-1960—A. J. Jaffe and R. O. Carleton—Columbia University Press, New York 27, N. Y.—$2.75.

Private Investments Abroad—Charles R. Carroll—American Enterprise Association, Inc., 1012 14th Street, N. W., Washington 5, D. C. (paper) $1 (quantity prices on request).

Regulations Relating to Foreign Funds Control in the United States—11th Supplement—Bank for International Settlements, Basle, Switzerland. (paper) Sw. francs 4.

Role of Sampling Data As Evidenced in Judicial and Administrative Proceedings—Society of Business Advisory Professions, Inc., 6 Washington Square North, New York 3, N. Y. (paper) $1.50.

Twentieth Century Capitalist Revolution, The—A. A. Berle, Jr.—Harcourt, Brace & Co., New York, N. Y. (cloth) $3.

Yankee Genius: A Biography of Roger W. Babson—Earl L. Smith—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y. (cloth) $5.

Your Opportunities in Management—Vocational guidance booklet—National Association of Manufacturers, 2 East 48th Street, New York 17, N. Y. (paper).

Securities Salesman's Corner

By JOHN DUTTON

A Record of Growth

Fewel & Co., 453 South Spring Street, Los Angeles, Calif., have just released a study of 60 fire and casualty insurance companies to show just what the managements of these representative organizations in the insurance industry produced for their stockholders. These 60 companies handle a majority of the fire-casualty volume, and comprise practically all of the publicly traded issues, and are therefore representative of the industry as a whole.

The Investor Who Bought Ten Years Ago

The investor who bought the average fire-casualty stock on Dec. 31, 1943, and who sold the rights subsequently given to him, experienced the following gains during the past 10 years:

Average market appreciation per year	8.61%
Income average per year	5.23%
Average total gain per year	13.84%

If he retained his rights the result would be:

Average market appreciation per year	9.21%
Income average per year	5.13%
Average total gain per year	14.34%

It Is Retained Earnings That Produces Growth

It is very interesting to note that the average return on these representative fire - causualty stocks was only 4.07% when they were available back in 1943. Yet, today these same stocks produce an income of 7.09% on cost where rights were sold, and 7.12% where rights were exercised.

The Experience of the Past Five Years Has Been Even More Impressive

If this investor had sold his rights he would have had these gains:

Average market appreciation per year	11.02%
Income average per year	5.09%
Average total gain per year	16.11%

If he had exercised these rights:

Average market appreciation per year	11.11%
Income average per year	5.00%
Average total gain per year	16.11%

1954 income is indicated at 6% on cost.

Buying Into the Future

Here is a dramatic record which illustrates how investors can buy into growth companies, in growing industries, and escape the heavy penalties of the income tax collector. The insurance industry is a typical example of the type of business which is still encouraged and aided by our present legislation which allows these companies to build up reserves and equities for the stockholders. How much better for the investor in the higher income brackets to build up capital values while receiving a smaller initial dividend income that escapes the heavy hand of the tax collector through retained earnings, than it is to reach for large dividends and smaller retained earnings?

Why This Growth?

During the past 10 years, the Fewel Report states, the premium income of these 60 companies rose from $1,242,014,000 to $3,719,870,000, a gain of 200%. A more startling increase in assets showed an increase from $2,762,413,000 to $7,427,285,000.

During this period these companies paid an average of 40% in dividends to the stockholders and 60% was reinvested in the business. That is one of the main reasons why the investors in the fine insurance stocks have done so well. Tax advantages such as dividends received from their investments in stocks are 85% tax free, and the companies own large amounts of tax free bonds. Besides there is at the head of the investment departments of these great institutions some of the most skillful investment research and expert talent in this country. If any one wants to invest in an investment company he should also look at the great fire and casualty companies—there he has the equivalent of an investment company, plus the earnings of an insurance business that in some cases has been in existence for from 25 years to a century or more.

The Fewel Report is comprehensive, and as they rightfully state: this is the average of an industry; the largest gains will still come from informed selection of individual companies.

Continued from first page

As We See It

pose that they have refrained or intend to refrain anywhere else where they believe the fishing is good.

A Long-Term Problem

Here then is a world problem that is still with us and is likely to be for a long while to come. It is a situation which has been grist for the geopolitics mill for centuries past—this uneven distribution of the world's population, of the world's natural resources, and of people's willingness and ability to work and make the most of what nature provided. Eighteenth and nineteenth century imperialism was largely concerned with competitive control and exploitation of the weaker peoples and the richer parts of the earth's surface. Such policies and purposes carried over into the twentieth century, and in one form or another are still to be seen. Hitler loved to scream about the "Haves" and the "Have-nots." No one who has cut his eye teeth supposes for a moment that the Kremlin is motivated by human uplift sentiment in its attempt to spread its control over as much of the earth's surface as possible. Such countries as Britain, France and Holland have "rolled with the punches" that have been thrown at them by the drift of human thought about "colonialism" and the like, but we feel certain that Mr. Churchill still has no intention of presiding over the burial of the Empire. France and Holland as well as the others are still counting their foreign domains as important assets.

But the underlying problem of unrest and even rebellion in the so-called backward areas—and the danger they carry of conflict between the larger and more industrialized nations—will not be solved by a softening of the picaresque attitude of the imperialists or even its abandonment. These areas are backward and the people inhabiting them have relatively little of the good things of life not only because, often not all because, of exploitation by outside forces. Indeed it may well be true, in some instances is undoubtedly true, that these peoples have more rather than less of the necessaries and even comforts of life because of the activities of so-called exploiters. But this is an age of unrest and rebellion. Peoples who, whatever the reason, do not today enjoy the material well being common among the industrialized nations of the world are dissatisfied and are easy prey (for a time, at all events) of new schemers who promise the earth and everything that is in it in order to get control and to impose their will upon the masses.

If the solution consists of somehow placing the native of eastern or southeast Asia, of Africa or even many parts of South America upon an economic footing comparable with that of the ordinary man in the United States or even of Britain or other Western European states, then the cure is a long, long way off. Not even the Truman dream of Point Four, or the visions of the most rabid New Dealer or Fair Dealer, could possibly bring any such results. All the plans and proposals now coming from many quarters, even if all could be effected without delay, would make hardly more than a small impression upon this economic imbalance. One might as well compare—as some ignorant souls do—the energy generated by fission or fusion of the atom contrived by man with that of a hurricane or an earthquake.

How Did It Happen?

It would be a good thing if all of us would pause to consider how this inequality in economic well being came about in the first place. In some instances, perhaps, it is a result of uneven distribution of resources. In a few it may have been produced by political oppression. Sheer misfortune may sometimes have played a part. But none of these factors, or all of them, account for more than a tithe of the situation by which the world is today confronted. Who would term the Western Hemisphere south of the Rio Grande poor in natural resources, even in comparison with the United States and Canada? The truth of the matter is that even to this day many of these countries have not even surveyed their resources, and know very little about their extent. The same is true of much if not most of Asia, and certainly of the larger part of Africa. If it be said that the backward areas were held back by colonial powers, let it be recalled that what is now the United States of America was once a colony. Let it be further recalled that virtually all of Latin America acquired its freedom from imperial masters many, many decades ago. There has, of course, been much exploitation of China, but no foreign power has ever succeeded in really conquering or controlling the Chinese people. And so the story might be continued at great length.

What is important here is the fact that these backward peoples of the earth are in very large degree backward through failure of their own, and that if this situation is to be remedied they must do the major part of the work themselves. There is no other way. True, foreign peoples who have surplus wealth could achieve some palliation of the condition. True, of course, that these same foreign peoples could be persuaded to lend a powerful helping hand if terms and conditions are such that they can with reasonable confidence expect results reasonably satisfactory. Indeed, short of centuries of hardship and difficulty at best, this is about the only road open to the backward peoples of the world.

But when all is said and done, the native peoples themselves must put their shoulders to the wheel, reveal a willingness to deal fairly with investors, and be prepared to carry the larger part of the load of economic improvement and betterment. Where do we find such willingness and how is to be cultivated? These are the crucial questions.

Why Must Government Undertake It?

"When young people cannot hope to find living quarters in which they can lead a normal life and raise a family, how can they help despairing of the country in which they live? It is as important to construct good housing in adequate quantity—and quickly—as it is to equip armored divisions. To give workers the certainty that their wages will increase as their productivity increases is to strike the sword from the hands of the Communists.

"Frenchmen, like other people, are deeply disturbed by what appears to them to be an all too slow rate of progress in the development of a better standard of living. Perhaps they are even more disturbed than many other people would be, because for centuries of their national life they led the world in progress. We must meet this deeply felt need of the French people; we can do this only by a great acceleration of our economic growth. This is the task to which my government has set itself.
—Pierre Mendes-France.

What we cannot understand from this distance is why the French Government must satisfy the "deeply felt" economic need of the French people.

Can not, indeed must not, the French people attend to their own economic needs?

This question troubles us for we have its analogue here.

Continued from page 3

The Market Ahead

tributed to the advance exert less of a positive stimulating force than a year ago. But this doesn't mean they have become a depressant; markets do gather internal momentum. Further, this era is dominated by the sophisticate who has kept speculation from becoming indiscriminate. In other words, I believe there must be a major excuse—or major surprise—before the present trend will be reversed. The surprise or excuse isn't on the horizon now—and the earliest it may develop is late winter or next spring. Even then, the excuse for a new speculative psychology could be "minor" rather than "major." For example, it could be the negative fact that the market as a whole is adequately priced if business conditions in 1955 show only little improvement over 1954. In this connection, a change in the outlook is dependent upon a change in one or a combination of the following factors:

(1) The prospect that industry's capital expenditures may only decline to $25 billion from this year's $26-$27 billion and the 1953 peak of $28 billion. The drop is so small it means a continuing prop under the economy if not a stimulant, as was the case when expenditures jumped from $19 billion in 1949 to $26 billion in 1951.

(2) The prospect that the major impact of the cut in government spending already has been witnessed. The decline in prospect for 1955 is comparatively small and may be largely offset by increased State and local spending. Government spending thus is a force towards stability rather than an aggressive depressant.

(3) The prospect that new construction will exceed $37 billion in 1955 against about $36 billion in 1954 and $35 billion in 1953. Industrial and small commercial building will decline, but residential construction will be up sharply and road building plus other types of public works also will increase. The building boom is a key factor in the outlook.

(4) The prospect that the industries which have undergone a private depression will improve in 1955. In the past year, industry's inventories have declined about $4 billion which is an obvious depressant. Next year, industry's inventories may increase slightly. The auto industry should do at least as well as in 1954—and this is important to the entire economy.

In view of the foregoing, I don't think the business trend will develop a downward bias; the prospect seems one of neither boom nor depression. If anything, the general business trend may be better than now appears likely on conservative view. In this event, good corporate earnings gains are likely for efficiency has improved in 1954. Also, dividends could increase inasmuch as industry's need for working capital has declined.

Prospective D-J Earnings

If the FRB index of industrial production were to average about 123-130 in 1955 (this year's average will be about 125) earnings on the Dow Industrial Average might be $30 to $32 per share. Currently, the industrial average yields about 4.6% on its estimated $17 dividend and sells at 13 times estimated earnings of $28 per share. Assuming no change in the confidence factor—i.e., the same price times earnings ratio as today—the 1955 earnings hope mentioned above theoretically could spell a price of 390 to 415 for the Dow Industrial Average. At any rate, that is the arithmetic projection.

All in all, the business background suggests that a major decline is unlikely the remainder of this year. It points to a policy of buying on reactions rather than selling on rallies. Temporarily, however, the more than 20-point advance of the past weeks may require correcting in that: (1) The election results were the excuse rather than the reason for the rise; (2) A worthwhile business upturn in 1955 is a hope rather than a probability. It may be a little early to discount that hope; more definitely constructive developments may be needed.

Even if we temporarily are in a ceiling area for the market as a whole, any time is a good time to buy a good stock. The tremendous pressure of funds seeking a haven means that interest will be concentrated on issues of better-than-average appeal. For example, many industries that suffered inventory liquidation this year can do better in 1955 without a general business stimulus. The farm implemet, carpet, and television are a few which come to mind. And there are others that will command attention in this selective era. Don't forget, stocks compete with each other for the buyers' attention.

The Program Ahead

What do I suggest now? The following:

Steels — for the industry has passed the test of readjustment with flying colors. The stronger companies operated profitably at 55-60% of capacity and prices remained firm. Demand now has turned upward and profit margins will improve due to the efficiencies introduced during the readjustment period. The "cash" earnings rate in many cases is very high. For example: *U. S. Steel* may earn $6.25 this year after about $9 per share depreciation and amortization. The steels now have "class" status and are being bought by pension funds and investment trusts.

Building—In view of the industry's overall economic importance. The cement business is basically under-capacitated even without a new highway program. Stocks, therefore, are selling on a scarcity basis. Although cement prices will be raised in 1955, the group seems fully priced and I'd wait for a reaction. But the wood companies which can benefit from higher industrial activity as well as building demand appear attractive. *U. S. Plywood* and *Masonite* merit attention, Also, *American Radiator*—which has just increased its dividend seems quite interesting. I'm also favorably disposed towards *Armstrong Cork* and *Ruberoid*.

Textile—for the cycle appears to have turned. Excessive inventories have been cleared up—there has been a steady improvement in volume and prices since last spring—and advance bookings now are running ahead of a year ago. There are a number of interesting speculations available: *American Viscose*—maker of cellophane, tire yarn, textile yarn, nylon, acrilan. *United Merchants*—an across-the-board operation with an interest in cotton, rayon and the Robert Hall clothing chain. In the carpet field, *Bigelow-Sanford* sells around its net working capital equivalent.

Specialties: *Chrysler*—for the company could do quite well in 1955 and 1956 if its new models "click" and there is a basic demand for five million cars. *American Locomotive* — where a new management is revitalizing the company and diversifying operations.

Some of these stocks are what you might term "speculative." But this country was built on speculation—on someone taking a chance. The sole question is whether the potential reward justifies the risk. The difference between intelligent speculation and investment is only one of words. Basically, a good investment must also be a good speculation.

The stock market is no different than life itself: It doesn't offer security—but it does offer opportunity.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The December refunding operation by the Treasury was very well received, and the improved tone in the Govrnment market is ample evidence of this. The "package deal" which was offered to holders of the year-end maturities was a realistic one, and in line with what the money market had been predicting. The short-term securities and the new bond will meet the needs of the holders of the maturing issues and, accordingly, it is indicated that the amount of attritition will be very small.

The Treasury did not come into the market for new money at this time, and there are reports now that there will not be any new borrowing in the near future other than for "tiding over" purposes. This seems to indicate no long-term issue of Government bonds in the forseeable future, unless there should be important changes in economic conditions.

Treasury Offer Favorable

The Treasury offered holders of the maturing Dec. 15 issues securities which were in line with what the financial district had been expecting. It has been a long time since the Treasury did not have its little surprise for the money markets when announcing the terms of a refunding or new money raising operation. Moreover, the eight-year, and eight-month 2½% bond was rather generally looked for, especially during the last few days prior to the public announcement by the Treasury. This was reflected in the better market action of the intermediate and longer-term Government securities which were on the favorable side, because some of the uncertainty that had been overhanging the market was beginning to disappear.

The one-year 1¼% obligation was a foregone conclusion in any refunding which the Treasury would do. The eight-month 1⅛% certificate was evidently put into the package to take care of the Federal Reserve Banks, so that there would not be too heavy holdings of the Dec. 15, 1955 maturity by the Central Banks. Also there are corporations that will be interested in making the exchange into the 1⅛s of Aug. 15, 1955, which were "reopened" for the refunding.

Commercial Banks Like Bond Issue

The commercial banks, especially those in the out-of-town areas, will be attracted to the 2½% bond due Aug. 15, 1963, and there are also indications that the large money center institutions will make sizable exchanges into the new bond. This is a set maturity obligation and the deposit banks are attracted to this type of security. The 1963 area is not crowded with maturities so that the new bond fits well into the schedule of Government securities that are outstanding. Likewise an obligation with a maturity of 10 years or under, which is the case of the eight-year eight-month bond being offered in exchange for the Dec. 15 maturities, works well for the deposit banks because these institutions are not inclined to go out too far when making commitments in Governments or other bonds. Also the coupon rate of 2½% is favorable as far as these banks are concerned.

Liquidity Issue, Too

The one-year 1¼% certificate will meet the needs of those that must have short-term securities for liquidity purposes. It is indicated that the larger commercial banks will be interested in making exchanges in important amounts of the maturing issues into the 1¼% certificates due Dec. 15, 1955. There will also be exchanges made into the 1¼% issue by corporations.

The Treasury in the current refunding has again tailored the securities which are being offered to the holders of the maturing ones to meet the prevailing conditions in the money market. There is also a weather eye towards economic and business conditions in this operation because, by offering securities which appeal to the commercial banks, there will be a maintenance of deposits, which are purchasing power.

Then again, by not offering a real long-term bond there will not be Treasury competition with borrowings by corporations, states and municipalities, and mortgages. These other forms of borrowing have a very important influence upon the trend of economic conditions and it is evident that the Treasury is not going to do anything in its refunding operation to upset the "apple cart."

With Walston & Co.

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif.—John A. Fries has been added to the staff of Walston & Co., 1157 Fulton Street.

Joins Milton Powell

PASADENA, Calif. — Jack E. Glassford has become connected with Milton C. Powell Co., Security Building.

Puerto Rico Water Resources Authority Bond Sale Scheduled

An issue of $12,500,000 electric revenue bonds of the Puerto Rico Water Resources Authority has been scheduled for Tuesday, Dec. 14, Carl A. Bock, Executive Director of the Authority announced Nov. 23.

Due serially from Jan. 1, 1957 to July 1, 1990, the bonds will be subject to redemption on 30 days' notice on or after Jan. 1, 1960 at prices ranging from 103% to par.

Reflecting Puerto Rico's economic expansion which has brought a pronounced upward trend in consumption of electricity, the Water Resources Authority has extended its facilities in both urban and rural districts of the Island.

Revenues of the Puerto Rico Water Resources Authority for the 1954-55 fiscal year are estimated at $19,669,000 compared with $17,825,369 in 1953-54. For the fiscal year 1954-55, total kilowatt hours are estimated at 781,000,000 compared with 699,920,000 a year earlier. Total customers are estimated at 236,812 for the present fiscal year compared with 220,860 last year.

The Puerto Rico Water Resources Authority, last summer, arranged $10,000,000 temporary financing at 2% with The National City Bank of New York to provide funds for its capital improvements program and part of the proceeds of the forthcoming bond issue will be applied to redemption of these notes.

The Government Development Bank for Puerto Rico is fiscal agent for the Puerto Rico Water Resources Authority.

Slayton Adds To Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Ray J. Wesemann is with Slayton & Company, Inc., 408 Olive Street.

With First of Iowa

(Special to THE FINANCIAL CHRONICLE)

HASTINGS, Neb. — Paul R. Pierce has become connected with First of Iowa Corporation.

Bache Adds To Staff

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Alfred N. Buchholz has been added to the staff of Bache & Co., Minneapolis Grain Exchange Building.

Continued from first page

Trade Assistance Program Of the Export-Import Bank

assisted by your wise and experienced counsel which—even when critical—has always been constructive.

The Act governing the operations of the Bank provides that the Bank shall assist in financing and shall facilitate exports and imports and the exchange of commodities between the United States and any other country or the agencies or nationals thereof. According to the Act it is the policy of the Congress that loans of the Bank shall offer reasonable assurance of repayment and that the Bank, in the exercise of its functions, shall supplement and encourage and not compete with private capital.

Aware of the problems facing United States exporters and of the importance of improving our foreign markets, the Banking and Currency Committee of the Senate, under the Chairmanship of Senator Capehart, conducted, during the past year, studies of world trade conditions and of the operations of the Export-Import Bank. Some of you served on Advisory Groups and many more placed their views before the Committee either by letter or as witnesses at the hearings.

Following those studies there was introduced in both Houses of the Congress and enacted into law a bill which among other things placed the management of the Bank in a bipartisan Board of Directors, appointed by the President with the advice and consent of the Senate, and increased the lending authority of the Bank by $500 million. The reports of the Committees and the discussion indicated clearly the intention of the Congress that the Bank should actively promote the interests of United States trade, but that it should do so with continued due regard to sound credit and banking principles.

The period of the Bank's operations has been one of varied and rapidly changing conditions. It has operated through a worldwide depression, a world war, and a period of large scale reconstruction and economic development. During that period the United States exports of civilian goods have increased from a total of $2 billion 133 million in 1934 to $12 billion 264 million in 1953. Our imports have risen from $1 billion 636 million in 1934 to $10 billion 969 million in 1953.

These changing conditions have dictated from time to time variations in the type of assistance which the Bank has been called upon to extend.

From 1934 until the beginning of the war in 1939, the great majority of the loans of the Bank were made at the request of the United States exporter and for the purpose of enabling him to meet competition from abroad. During this period a relatively small number of loans were extended directly to the foreign purchasers.

With the advent of war in Europe, the United States exporter entered upon a new and, for him, an unprecedented era. He had practically no competition and the demand for civilian goods far exceeded the supply. During this period it was not the exporter but the foreign buyer who sought credits from the Bank to finance the purchase of United States goods and products. Credits were extended to governments and to private entities to assist in financing capital equipment for development programs which would stimulate the production of strategic materials and otherwise aid the common defense and war effort.

The Present Situation

And what of the present situation? As civilian production has been resumed throughout the world, the United States exporter is again, and for the first time since 1939, faced with active and effective competition in world markets. We have moved from a "seller's" to a "buyer's" market. In the meantime, the productive capacity of our industry has been greatly expanded so that we are dependent more than in former times upon the retention and expansion of our foreign markets. It is the United States exporter that is again seeking the assistance of the Export-Import Bank.

In this situation it is not surprising that we again hear the suggestion that we adopt procedures identical with those in effect in other exporting countries. It is apparent that many of these suggestions are made without a careful analysis of our own trade problems and without due recognition of the fact that the underlying causes of our problems differ from those of our competitors.

I think we can agree that the export trade of the United States is not handicapped by a lack of desire for our products. Our problem concerns the ability of our potential customers to pay for those goods—to obtain the necessary dollars to buy from the United States not only what they desire but what is, in many instances, essential to their economic life.

We are a nation blessed with natural resources which supply us an abundance of food and most of the raw materials required by our industry. Accordingly, as you are well aware, the volume of our exports continues to exceed the volume of our imports. Although we have recited all of the usual phrases until they have become hackneyed and trite, we are still prone to forget that there must be a direct relation between the volume we buy and the amount that we can sell.

The management of the Bank has always recognized the fact that the alleviation of our trade problems cannot lie in the mere extension of credit to all who seek it. Unless the products financed by the Export-Import Bank strengthen the economy of the importing country and thus ultimately strengthen its ability to earn or save dollars, we will only be piling up instalment credit until a point is reached where the buyer cannot pay his debts.

A "Selective Basis" in Extending Credits

The management of the Bank has, therefore, found it necessary to follow a policy of extending credits on a "selective" basis. That is to say, it has directed its assistance generally to the financing of those projects and to the export of those products which will assist in the development of the foreign country and enable it to earn or, in some instances, to save dollars to the mutual advantage of trade between the two countries. This does not mean that the project or product must itself directly produce or save the dollars required to pay for it. It is sufficient that the incorporation of the product into the economy of the other country should ultimately, even though indirectly, improve the foreign exchange position of that country.

During periods of acute dollar shortage in a particular country it may be necessary to limit assistance from public funds to the export of those items which will make a direct and early contribution to that country's dollar exchange position. Any other course would merely permit the United States exporter who had received a loan from the Bank to make a sale abroad at the expense of the exporters who did not obtain such loans.

We must recognize that the problem of the United States is almost the opposite of that of many countries which are our competitors. For example, it is the constant problem of Great Britain to sell enough abroad to earn foreign exchange with which to purchase the food, raw materials and even certain manufactured products required to support a large population on a small island. To the extent that the British can promote the sale of consumers' goods on relatively short-terms, they will more quickly acquire the currencies of countries that can sell them food. The problem of Great Britain is to sell enough abroad so that it may increase its purchases abroad. Our problem is to assist the importing countries to earn the dollars they must have if they are to buy more of our exports.

It is for this reason that the management of the Bank has always questioned the advisability of establishing in the United States a system of export credit insurance which would provide general export financing without adequate regard to the type of goods sold in a particular market.

Except that the circumstances of United States trade dictate that assistance from public funds be on this selective basis, the facilities offered by the Export-Import Bank are comparable to those extended under any present system of export credit insurance offered by other governments.

The idea of selective financing of exports is not based on any premise or implication that it is more important to the United States to export one product than another. In fact, the contrary is true. If, however, public funds available to the Export-Import Bank are used to finance the export of those products which will assist in the development of the economy of the foreign country, that country will be able eventually to buy and to pay for not only our capital equipment but also the many other items that go to make up a high standard of living.

Bank Strives to Maintain Flexibility

As in the past, the Bank will strive to maintain a flexibility in its procedures to the end that it may be readily useful in meeting future requirements of our foreign trade.

It will continue in appropriate cases to extend credits to finance United States equipment and services for development projects abroad when the mutual interests of the United States and friendly nations can be thus served.

The immediate problem of the Bank, however, is to offer effective assistance to the United States exporter in his efforts to maintain and further develop his markets abroad. The recent shift in conditions of international trade from a "seller's" to a "buyer's" market, the increasing importance of export markets to United States manufacturers, and the competitive terms offered by foreign suppliers based on assistance provided by their governments, have made it desirable for the Export-Import Bank to adopt procedures to expedite the extension of assistance to exporters of capital goods without sacrificing sound principles of finance.

It has been the practice of the Bank generally to extend its assistance in connection with specific transactions. Each prospective sale by an exporter has been the subject of an individual application to be approved or disapproved on an ad hoc basis. After consideration of all risks of both a commercial and political nature, the Bank in appropriate cases has agreed to purchase from the exporter, without recourse, a portion of the obligations of the foreign purchaser. The Bank is always prepared and, in fact, prefers, to guarantee the obligations for purchase by the exporter's commercial bank or other financial institution instead of making the purchase with public funds.

These case-by-case or individual transactions have proved helpful for many years and should continue to constitute an important field of the Bank's activity. In addition, however, the Bank now proposes, within the field in which it could appropriately extend exporter credits on a case-by-case basis, to extend lines of credit to assist exporters to finance the sale of capital goods of a productive nature. This proposal has been the subject of careful study and discussion between the Bank and representatives of trade and financial groups. It contemplates the establishment in favor of an exporter of a line of credit based upon the record of his past operations.

I am happy to report that this matter has gone beyond the discussion stage. The Bank has now authorized the first two lines of credit of this type. It has before it and under consideration a number of additional applications.

Bank Affords a Supplement to Private Credit

Such a line of credit will not be expected to finance more than a portion of the business of a particular exporter. Existence of such a line, however, will enable the exporter to know the extent of aid he may anticipate from the Bank over a given period and thus permit him rationally to plan the extension, where necessary, of credit terms to foreign dealers or customers. Moreover, a line of credit from the Bank can be arranged and used more effectively to supplement and complement the exporter's own resources and other private credit available to him.

This procedure is not entirely new to the Bank. Somewhat similar lines of credit have been extended to assist groups of manufacturers in the machine tool industry. These revolving credits have operated successfully and without loss. The creation of such groups, however, is not practicable or appropriate for suppliers of most types of equipment.

Exporter's Past Operations, a Basis for Credit

After approval of a line of credit in his favor, the exporter can make application on a case-by-case basis for assistance under the line on sales in any friendly country. Where the nature of the goods permits of repetitive sales to the same customer abroad, provision can be made for utilization of the line without prior approval by the Bank of such transaction. For these exporters, the Bank will designate from time to time the countries in which transactions may be financed automatically and, based upon the minimum or average business done by the exporter in a given country, the amount of credit which may be outstanding at any one time. Upon receipt of appropriate credit information regarding a particular customer, the Bank will designate the amount of credit which may be outstanding at any one time to that customer.

The Bank will not authorize automatic use of a line of credit in a country suffering severe dollar exchange difficulties. The financing of sales to such a country would not be barred, but each transaction should be subject to careful study and prior approval of the Bank.

The fact that these lines of credit are based solely upon the record of the exporter's past operations immediately raises two questions.

First—Will the Bank assist an exporter only to the extent of his past business? The answer is no—but the exporter must present evidence of additional firm or prospective orders on a case-by-case basis after he has utilized the line of credit. In following years, these additional sales would be recognized as a part of his record.

Second—Are exporters without previous records barred from the Bank's assistance? Again the answer is no—but such an exporter must apply on a case-by-case basis for assistance to finance actual or prospective orders. After he has established a position in the market, he may apply for a line of credit.

In other words, it may be said in reply to both questions that the Bank will consider any bona fide potential transaction as a basis for a credit commitment, but the Bank will not set aside funds for the use of a particular exporter on a purely speculative basis.

It is believed that a line of credit can be of value to an exporter even though all transactions thereunder are handled on a case-by-case, rather than an automatic basis. The Export-Import Bank will have full information regarding the exporter's past operations. At the same time, the exporter will be aware of the type of credit information which the Bank will require with respect to each transaction. This should expedite the presentation of applications by the exporter and the decision by the Bank with respect to each such transaction.

It is anticipated that actual operations under these lines of credit will be carried out by commercial banks or other suitable institutions selected by the exporter. Sales eligible to be financed should provide for payment in cash of at least 20% of the invoice value before delivery of the equipment. The exporter must then carry not less than 25% of the obligations of the foreign importer for his own account or with the assistance of a commercial bank or other financial institution. The Export-Import Bank will then purchase without recourse to the exporter up to 75% of the obligations of the foreign importer or will guarantee payment of the obligations so that they may be purchased by a commercial bank. The obligations carried by the exporter must have the same maturities as those of the obligations purchased or guaranteed by the Export-Import Bank.

The maturity of the paper to be purchased or guaranteed would vary according to the nature of the equipment to be financed and to some extent with the competitive terms offered. It is believed the terms should not exceed and usually should be shorter than those offered by competitors. For some types of equipment terms of two or three years will be adequate. For others, terms of about five years may be required, and for large units of heavy equipment there will be occasions when terms of seven years or so will be necessary. The desire to extend excessive terms will be minimized, it is believed, because the exporter will be required to participate ratably for the full period. It should generally be possible to finance through private channels products for which credit terms of less than one year are appropriate.

The Bank proposes to charge a commission on all obligations purchased or guaranteed by it. The commission, payable by the exporter when the Bank assumes responsibility for the paper, will be 1½% flat on obligations having a final maturity of three years or less, and will be increased by at least ½% for each year or portion thereof by which the maturity of the last maturing obligation exceeds three years.

In addition, the Bank will receive the interest collected on the notes which it purchases, or, if it guarantees the note for purchase by a commercial bank, the Export-Import Bank will receive 2% of the first 5% of interest borne by the obligation and at least one-fourth of any interest in excess of 5%.

Some exporters are prepared to assume all commercial risks involved in their sales abroad on credit, but have indicated a desire that the Bank issue its guaranty against certain so-called political risks, such as the risk of inconvertibility, war, cancellation of an import permit, or other act beyond the control of both the exporter and the foreign importer. In any situation in which the Bank would be prepared to carry both the commercial and political risks of a transaction, it would be prepared as well to limit its coverage to the so-called political risks involved. The coverage in such cases might extend to 85% of the financed portion of the transaction and the cost to the exporter would be somewhat less than coverage for all risks.

Bank Should Not Discourage Private Capital in Export Trade

It is the intention of the Export-Import Bank that the facilities which it offers to United States exporters and the charges which it makes for its assistance shall not be so attractive as to discourage the use of private capital to finance our foreign trade. To the contrary, it is the purpose of the Bank to supplement and encourage the use of private capital for such purposes. Furthermore, it is imperative that assistance offered by the Export-Import Bank shall not be such as to encourage the over-extension of credit or the extension of credit on terms that are too long. Nothing could be more harmful to our foreign trade than unrestrained competition in the extension of credit, whether that competition is between United States exporters and their foreign competitors or between competing United States exporters.

I have just returned from conversations in Europe with officials responsible for the operation in their countries of agencies engaged in activities similar to those of the Export-Import Bank. It is understood and assumed that each will attempt to assist its own foreign traders as best it may. Without exception, however, all are concerned at the possibility of pressures for the extension of credit in excess of that justified by the nature of the goods involved and by the application of sound principles of finance. In every country exporters recount tales of favorable terms granted by their competitors abroad. Some of these reports may be true. There is some evidence, however, that the buyers, desirous of playing off one source of supply against another, have not been reticent in exaggerating and perhaps even inventing such tales to induce more favorable offers. Unrestrained credit extended solely on a competitive basis to obtain orders at any cost can serve no useful purpose. It can do nothing in the long run but destroy those who extend it and those who accept it. Credit extended, however, with due regard to sound principles of finance and for the purpose of permitting importing countries to accelerate the development of their resources can serve as one of the most useful instruments of expanding the world's markets to the mutual benefit of all countries. I submit that by adhering to such a course the Export-Import Bank can best assist the efforts of you who are engaged in foreign trade and finance to serve well the interests of the United States.

Continued from page 5

Via New World Trade Patterns

for about 25% of world trade in 1900 and the same proportion in 1950.

Then there was a third group of products in which world trade has grown since 1900 by leaps and bounds. These items include motor vehicles, industrial machinery, electrical equipment and apparatus, agricultural equipment, iron and steel, and petroleum products. At the beginning of the century, trade in all these items was only about 14% of world trade. By 1937 it was up to 36% and in 1950 to over 40%. And if you take a still closer look at the products traded you come across a fact which seems to me to be even more striking—namely, that at least one-half of world trade today is in products that were unknown at the turn of the century.

I want to stress that these changes in the pattern of trade are going on almost daily. We have seen trade in rubber, textile fibers, and other products influenced by the development of synthetics and substitutes. With the rise of artificial fibers, international trade in silk has dropped to a shadow of what it was in the 'twenties. The switch from soap to detergents has changed the market for certain fats and oils. New products ranging from plastics to anti-biotics have entered the market successfully.

What this points to is that exporting countries must keep as flexible as possible and adapt themselves to produce what the world requires. The British position in world trade declined not simply because Britain was losing textile markets to other exporters but because she was slower in shifting her production to the lines in which demand was rising. Since the war she has worked hard to make up the gap. Much the same is true of France. On the other hand, Germany, Switzerland, Belgium, and the Netherlands rose in importance as exporters because they produced goods for which the markets were expanding.

Even a better example of this flexibility has been the expansion of U. S. exports. The story of the changes in our export trade structure is fascinating and does credit to the Yankee spirit of inventiveness and adaptability about which we hear perhaps too little today. Some traders who went to Latin America, our biggest trading area, 30 or 40 years ago with one or two products have not been able to sell those particular goods for years, but have nevertheless adjusted their businesses, brought in new products and prospered as a result. Going even farther back, there is the classic example of the New England trader who more than a hundred years ago was selling ice to tropical countries in many parts of the world. The market for American ice disappeared long since, but about 30 years ago we began to sell electric and gas refrigerators abroad, and now we are going into household freezers and have taken the lead in exports of air-conditioning equipment.

These changes in the character of trade have been paralleled by changes in the distribution of trade by countries. The most important of these has been the growth of trade regionalization, which has its roots especially in the monetary disorganization of the early postwar years. While this development has resulted in rigidities and vested interests which will be difficult to overcome, it was probably a necessary evil. If the sterling area had not been able to operate as a closed currency area, and if the European Payments Union had not been set up, the countries involved might have had to resort to barter. As it was, multilateral exchange of goods was made possible, even though it was within limited areas.

Trade With Western Hemisphere

In the Western Hemisphere, of course, the rise of trade among the so-called dollar area countries has been based not on the existence but on the absence of currency controls. Trade with Canada, by far our leading trade partner, has risen in line with Canada's sensational postwar development. Our trade with the dollar area countries of Latin America also has shown remarkable vigor and stability despite competition from European suppliers. We are shipping these countries more industrial equipment, trucks, tractors, highway equipment, and drugs and chemicals than ever before. On the basis of the figures that are in so far, our exports this year to the Latin American dollar countries will be considerably better than in 1953 and close to the 1952 record.

Without glossing over the dangers of too much regionalization of trade, I think we can see how beneficial some of these developments have been. Since 1948, the year of the currency reform in Germany, world trade has risen by 40% but intra-European trade has doubled. The British and ourselves tend to look on Germany simply as a rising competitor, but I think it is plain that the comeback of Germany as a producer has strengthened the whole economy of Western Europe and reduced the area's dependence on U. S. aid. This has made the Continent a better customer for the raw materials of the sterling area and also a better cash customer for many of our own agricultural products and manufactured goods —a good example of how increased regional trade can lead to increased general trade.

So much for the past. What about the future? We know that a great potential demand for goods exists and that this demand will rise if only because the population of the Free World is increasing at an annual rate of almost 20 million. However, trade expansion will require a foundation of continuing economic progress and continuing release from controls and restrictions.

Happily, many of the signs are favorable. In Europe, orthodox fiscal and monetary measures aimed at the control of inflation, along with the general expansion of production, have made possible great progress toward a sounder pattern of international payments. As confidence in local currencies has improved, the tendency to over-import has lessened, taxes have been eased, and saving has revived. As a result these countries have been able to go a long way toward lightening quantitative trade restrictions and exchange controls. We can hope for further progress away from economic nationalism and also away from regionalism, which in the long run are inefficient and roundabout ways of raising living standards.

Of course, the key to multilateral trade and to free movement of capital lies in convertibility of currencies. Like many of you, I hoped that at the meeting of the International Monetary Fund last September we might receive some encouragement in this respect, particularly in view of the build-up of foreign gold and dollar reserves. These reserves are now around $24 billion, or some $9 billion larger than at the time of the general currency devaluation in 1949.

However, the reserves were built up partly through American economic assistance and purchases of military goods and services, which may decline substantially in the years ahead. A slowdown in the reserve accumulations by some foreign countries is already noticeable. On the other hand the great expansion of production in individual countries and the general reduction or elimination of their payments deficits holds out promise of further progress.

One can understand some of the fears of foreign countries concerning convertibility. They do not want to act prematurely; when the move is made, they want it to stick. Second, they realize that there would be little point in removing restrictions on payments only at the cost of putting more restrictions on trade. Third, they want as many countries as possible to act at the same time when the step is finally taken. Obviously, each country must decide for itself when it is ready to make this very important move, but I think we may be allowed to hope that such action will be pushed as hard as is practical.

Increase in Europe's Trade Seems Assured

Meanwhile, the boom in Western Europe shows no indications of having spent itself, and a further increase in Europe's trade seems to be assured. All over the Continent, producers are beginning to wake up to the possibilities of the mass market. The demand for consumer goods, household equipment, cars, bicycles, and similar goods has so far gone largely unsatisfied because other things had to be attended to first. But now the consumers' durable field is finally coming into its own. The large expansion programs of the European subsidiaries of General Motors and Ford, announced a few weeks ago, are an indication of the trend.

I only wish that we could count as confidently on improvment in Japan. When I visited that country last spring I was very much impressed by the accomplishments and the frugality and hard work of the people. However, I am worried about the problems Japan faces today, and I hope that the Free World will find a way of helping the Japanese people to solve these problems. In the long run, the most favorable development for Japan would be a rise in productivity and purchasing power over all of Southeast Asia, and a greater interchange of goods between Japan and those countries. This is also the prime requirement if that rich area is to be made politically stable and secure.

While problems also exist in Latin America, I personally have great faith in the future of our trade with that area. Much will depend, of course, on the success of certain Latin American countries in controlling inflation and restoring confidence in their own currencies. This is exactly what has been done with great success in several European countries, even in Greece, which suffered from a devastating civil war until only about five years ago. The world situation holds considerable promise for Latin America. Prices of some products have fallen from the peaks of the Korean boom, but Europe's high demand for raw materials has provided new trade opportunities, and the fact that our own economy has held at a high level is an additional source of support. Since the amount that Latin America can buy depends basically on how much she can sell, I would like to point out that our imports from the 20 Latin American Republics as a whole have risen in every year since 1949, and that in the last four years combined we bought slightly more from the area than we sold there.

Conclusion

I want to conclude with a few statements which may sound optimistic but which I think are also realistic. I know that in certain areas our traders are having a difficult time. But if world recovery continues at its present pace, many of these difficulties should iron themselves out. The postwar transitional period is clearly drawing to an end, and we must expect the tasks ahead to be different just as the pattern of trade will be different. Countries which were prostrate for many years are now recovered and taking an active part in world markets. But the fact that other countries will trade more does not mean that we will trade less. The emphasis often put on trade competition should not obscure the fact that trade relations are basically complementary. That is why trade increases over the long run. The countries that have increased their exports and put their international payments in order are now building up their import demand. They are beginning, in a small way, to close the wide gap that has existed in the postwar years between their economic status and that of the United States. They will be customers of ours for products they could not buy heretofore. This is a development for which we should be thankful. It promises increased political stability for our Allies. It promises more stable trade. Moreover, it promises an expansion of trade in which I am confident we will share along with the rest of the Free World.

I have tried tonight to stress the fact that international trade is forever changing. Three hundred years ago, spices were one of the biggest items of world trade. Two hundred years ago, sugar dominated the trade scene, and 100 years ago the most striking fact was the outflow of textiles from European factories to clothe people around the world. I am certain that even if most countries in the future make, for example, their own textiles, glass bottles, paints, shoes and cement—even if they grow more of their own sugar and wheat, as has been happening recently—international trade will not collapse, for new products will take the place of the old. Industrialization has greatly altered the composition of world trade but it has not reduced the international flow of goods; quite the opposite.

Trade will continue to change in response to new products and techniques, and it will be our job to lead in developing these products and techniques and bringing them to the world outside. None of us can say just what new patterns of trade will be opened, but I refer you to the technological advances made in recent years, for example in electronics and synthetic chemistry, and in the great but as yet hardly explored field of atomic power. Striking advances have also been made in some less publicized fields such as materials handling and automatic controls, where the U. S., as in many other aspects of mass production, is the unquestioned leader of world industry.

All these developments are creating innumerable new openings for countries that are willing to move ahead. In atomic power particularly, we may see opportunities comparable to those that the invention of the spinning jenny and the steam engine offered to pioneering countries nearly 200 years ago. Never before has there been such an immense amount of research all over the world, such a vast flow of technological gains promising to revolutionize our industries and enrich our daily lives. I am confident that we will meet this challenge as we have met those of previous periods, that we will adjust to new patterns and new demands as we have done in the past. The future holds high promise of trade expansion based on rising production and rising living standards everywhere, and in that expansion our pioneering enterprise will yield us our rightful share.

Continued from page 11

Petroleum Outlook and Some Noncalculated Risks

petitive companies stand by and watch those with access to that line get the competitive advantage of relatively lower cost transportation? We know the answer to that from experience. When one large-diameter line was built from the Rocky Mountains area to the Midwest, two other lines were built soon afterward.

In short, the increased efficiency and consequent lower costs resulting from the rapid building to provide the security cushion must, by the nature of our competitive society, breed further building. We can't, then, be concerned competitively only with the first million-barrel cushion of capacity that already has been built. We should recognize the competitively impelled additional capacity that will be built as the various companies seek to reestablish their competitive positions.

During the period of transition to reestablished equilibrium, we are going to face abnormal risks in our business because of building "ahead of the market." We are going to have continued large capital outlays in the years ahead. We are also going to have severe competition in the dual fields of quality and price. Our profits will reflect these conditions.

Bear in mind that among the many freedoms our industry has is the freedom to commit economic suicide. Self-destruction is a privilege—though not a pleasure—in any really competitive economy.

Risks Associated With Natural Gas Price Control

Another of the sometimes uncalculated risks of our industry today has come in through the side door as a result of recent developments affecting the gas industry.

Most natural gas reserves are discovered by companies or persons searching for oil. Hence substantial gas reserves and producing gas properties are owned by oil companies, and the fates of the two industries—gas and oil—are in large measure twined together.

Now we have been accustomed for years to government regulation of the utilities that market gas at retail and of the large transmission lines that serve these utilities. The principle of regulation in both cases makes sense, whatever deficiencies there may be in practice. In each case a duplication of transmission or distribution facilities would be economically wasteful. By the nature of things, then, it is practical to give to the utility or the transmission line a monopoly. Since competition *cannot* act to govern price in the case of a monopoly, it is necessary to install a governor in the form of regulation, state or Federal. Beyond that, it is possible to establish reasonable rates in these two fields—though the regulating commissions don't always do it. It is possible because the cost in each case can be determined by objective examination and the regulations can then be designed to cover cost plus a determined percentage of profit on investment. State commissions generally regulate the rates of utilities to cover the determined costs and permit a return of not more than 6 to 7% on investment. But thus far, I have never heard of a case where public utility regulation has been extended backward to the raw material costs of the utility company. In the case of the transmission companies the Federal Power Commission regulates rates to cover the determined costs plus an earning of 6% on capital.

So far, so good—these are monopolies that are regulated in the public interest, and the regulation *can be* reasonable because costs can be determined fairly easily.

With the Supreme Court's decision in the Phillips case, though, we have been thrust into an entirely new concept of public regulation of industry. The Federal Power Commission, said the court, has the power to regulate the wellhead price of any gas that goes into an interstate transmission line. Suddenly we are confronted with a proposal for the application of *utility-type regulation to many thousands of individual sellers who cannot remotely be considered a monopoly. I cannot think of a more perfect illustration of pure theoretical competition than that of the search for and development of natural gas and petroleum reserves. Further, the regulation is now extended backward to the raw materials utilized by the utilities. Even worse, the Federal Power Commission is asked to regulate rates for a function in which costs cannot be determined with any slightest degree of accuracy.*

How can the Federal Power Commission determine the cost of the product offered from a well? Well X here in field A may have been brought in by a producer who previously put down 13 dry holes in a futile search for oil. Well Y in the same field may have been brought in by a company that has made three strikes in a row—but that has to set aside a reserve to finance the probable dozen or so dry holes it will drill in the months ahead. Well Z off a little way in the same field may be producing oil and gas together in a fluctuating ratio. Also consider the radically different prices paid to lease and royalty owners. How do you strike a fair balance on costs for the same gas produced from the same field let alone the cost in other fields in other areas? Frankly, this problem defies solution.

The Federal Power Commission could, of course, simply determine to hold the field price of natural gas to the lowest conceivable level. Such a course opens some interesting—and frightening—possibilities:

(1) The artificially low rates resulting for the consumer might stimulate the demand for natural gas even more than direct state-commission regulation of retail rates has stimulated it in the past. Such stimulation could lead to an even more thorough replacement of solid fuels than we know today.

(2) The artificially low rate could—in fact, almost certainly would—discourage the development of increased supplies of natural gas. There would be little economic incentive to search for those supplies or to produce them even when they were accidentally found.

(3) As a result of the combination of increased demand and decreased supply we might find ourselves with a serious, even a crippling fuel shortage in this nation. We might have millions of homes and industries equipped for using only gas—and inadequate gas with which to supply them.

Frankly, this is an intolerable situation which, as near as I can determine, was never contemplated at the time of passage of the Act. I do not see how it can be cured other than by positive action through clarifying legislation. Rates payable for natural gas in the field must be those dictated by a competitive market if we are to meet the demands thrown upon the industry. But in any event here is a new risk for our industry over and beyond the natural economic risks of the market. We must weigh it most carefully in all of our calculations.

Risks Associated With Threats of Disintegration

Still another of the non-calculable risks unique in our industry stems from the efforts of some to defy all economic logic and force a disastrous breakup into small fragments of some companies in the industry.

There have been many structural changes made in our industry over the years as we sought for every possible increase in efficiency. One of the chief of them has been that of vertical integration of the industry, an integration that has gone on in every phase of this business. Many petroleum jobbers have effected marketing efficiency by acquiring retail outlets or have reduced costs by getting their own transportation facilities. Most individual refineries are at least partially integrated both forward and backward in the continuous-flow process of getting crude from the ground to the consumer in the form of usable products. That is, they own some production or their own crude-oil transportation or both, and they have their own products transportation facilities, their now wholesale outlets, or their own retail outlets. Producers frequently find themselves compelled by competition to acquire their own transportation facilities or even their own refineries.

Now all of this integration has come as a consequence of the very nature of the industry and the logic of competition. It has come because the management of the individual petroleum firms involved saw a need to insure supplies, level out marked profit fluctuations, and reduce over-all costs. Inevitably these lower costs have meant lower prices, because competition for consumer preference has continued to operate in free-wheeling fashion.

Some few interests, though, both inside and outside our industry, have made integration the point of attack on a limited number of companies. The Department of Justice, for example, has suits now pending that ask for a segregation—a forcible divorcement—of the marketing phases of the industry from other phases. Government lawyers are actually asking the courts to set aside normal economic behavior, to suspend the quest for greatest efficiency that has led to the building of the current industry structure.

As a result we have this non-calculable risk hanging over the heads of the management and owners, not just of one company, but of this whole industry. It follows, doesn't it, that if one sort of integration is bad, illegal, then all integration is vulnerable?

Worse—the same risk is threatening the very consumers of our products. For if we are to be denied the economic efficiences that are part and parcel of integration, then costs *must* increase. Industry profits already are at a low level, as the cold statistics demonstrate, and so the increased costs will have to be reflected in increased prices to the consumer.

The Highway-Capacity Risk

Yet another abnormal risk for our industry that we do not always consider sufficiently is bound up in the present state of our highways.

You'll find encouragement for highway development written into the Federal Constitution. You'll find it expressed over and over again through acts of the legislature, the executive, the judiciary. But for all that everyone agrees that highway development is a most excellent thing, the development itself lags.

Our industry's growth—yes, the growth of the total economy—can be seriously limited unless the nation's highway capacity is greatly increased, greatly improved. Some of these much-traveled roads are excellent, but many—too many—are unsafe, badly in need of repairs, and the highway system as a whole should be greatly expanded.

Suppose we look at what we have been spending on road construction in terms of a constant purchasing-power dollar and stack that figure against the increases in estimated travel miles.

I have used the average for the years 1921, '22, '25, and '26 as the base period so as to minimize the political influences that affected highway expenditures. You'll notice that the road load as represented by travel miles has increased over the base period by four and one-half times. Highway expenditures in terms of constant purchasing-power dollars has only doubled. In fact, we only reached the prewar level in 1953.

Our highway mobility—our ability to keep people and goods moving over our roads—has been one of the outstanding characteristics of our economy but it is becoming a throttling inflence today. The need for more and better roads has become so great that private capital has entered the field to meet the needs, just as it once entered to meet the need for bridges. Toll road mileage is growing rapidly.

Private-capital investment, however, raises a multitude of questions. Is there a justification for collection of taxes on toll road gasoline consumption? Will there be opportunity for competition among petroleum suppliers to serve the consumer? Will the state and Federal governments from their highway funds provide the same allocation of building to areas served by toll roads as to other areas? If so—and there is a stepped up building of nontoll roads—the security of some projects will be jeopardized. If not, the communities served by toll roads are discriminated against because they must pay not only the gasoline tax to maintain highways generally but a toll that frequently ranges from 15 to 25 cents per gallon of gasoline consumed. It also brings complicated issues of competition between public and private institutions for the privilege of serving the motorists' needs. I am convinced that these and other factors will limit the toll road trend as they limited the trend to toll bridges in the long run.

In any event, while toll roads do now contribute to a solution of the problem, they will not themselves solve it. Solution of the problem of maintaining a true national market by maintaining a transportation network over our economy must be based on a public roads system adequate for our needs. In metropolitan areas, the problems of access roads and parking facilities must also be solved. The specific risk we run is that our market for gasoline and lubricants will be curtailed for lack of adequate automotive mobility.

The Risk of End-Use Control

A last abnormal risk in our business today is one we have faced recurrently over the years — the agitation for controls over the end use of fuels. Now we seem to be in for another promotion of this old proposal.

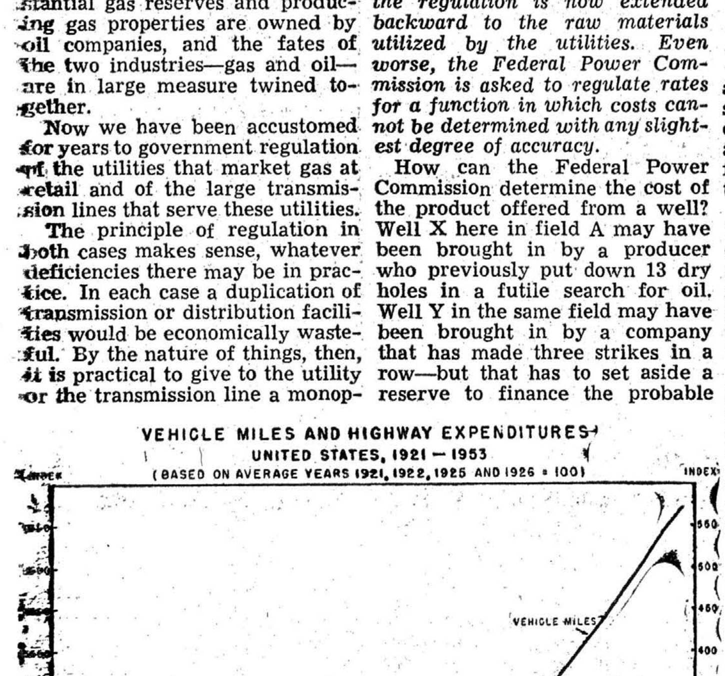
I am sure that no advocate of end-use control considers this in any sense a convenient device for establishment of a totalitarian state. Most of the champions of this control — whether they are people in a particular branch of our own industry or in some competitive industry or in the state or Federal legislature—claim to have the best of intentions. They say that they want to insure that this nation makes fuller, more adequate use of nature's bounties. So they say that premium fuels should be reserved for luxury uses and more abundant fuels should be dedicated to the heavy-energy loads. Or they say that there should be fuel zones established, with each geographical area using the fuel that is most readily available to it. Or they come up with some other variant of the central notion that, not competition, but outside planning should determine what fuel should be used, where, for what purpose.

Often they make a case that has a certain surface plausibility, especially when they dwell on their goal—the more efficient use of energy sources—rather than the means for reaching that goal. But it is precisely because they have failed to think through the problems of the means that their entire thesis must stand condemned.

Today it is the interacting judgments of buyers and sellers in a free market that determine the uses—and the prices—of various competing fuels. If a seller of fuel oil offers his fuel at a price that is too high, the consumers won't buy. His judgment is checked by the pragmatic test of success or failure in a competitive market. A buyer of fuels, on the other hand, given his choice in an open, competitive market, decides whether to use gas, or coal, or oil in a given operation. If he chooses the fuel that gives him the greatest net efficiency in proportion to its price, he keeps his costs low and can more likely sell at a profit. If he makes the wrong choice, his costs are higher than those of his competitors and he promptly finds himself at competitive disadvantage. Again his judgment in either case is checked by the pragmatic test of success or failure in a competitive market.

Under a system of end-use control there could be no pragmatic test and no competitive market. Instead, some bureaucrat or group of bureaucrats would have to dictate on the basis of predetermined

VEHICLE MILES AND HIGHWAY EXPENDITURES
UNITED STATES, 1921 — 1953
(BASED ON AVERAGE YEARS 1921, 1922, 1925 AND 1926 = 100)



SOURCES: BUREAU OF LABOR STATISTICS, BUREAU OF PUBLIC ROADS, AMERICAN AUTOMOBILE ASSOCIATION theory the allocation of each of the fuels. Then this same bureaucrat or group of bureaucrats, because a monopoly condition would have been established, would have to dictate the price that would be charged for each fuel.

No group has the intelligence or the ability to make such complex decisions. And I am convinced that the inevitable errors under such a system would seriously dislocate many, if not all, the segments of our economy to the grievous detriment of our growth and expansion. And let us not forget that a considerable part of the agitation for end-use control is based directly upon the fact that natural-gas retail prices have been subject to utility regulation for many years.

I simply do not believe that anyone can lay down a set of armchair rules for control, however well-intentioned, that will meet the problems of end-use of fuels one-half as well as free-market competition meets those problems. This risk must be recognized in our future thinking.

Conclusions

These five special problems that I have cited are not the only noncalculable risks unique in our industry that have their origins outside the strictly economic. They are not the only abnormal problems we face. But we have had many of our abnormal problems with us so long that we have almost forgotten their abnormality—taxes, rates of imports, loss of export markets, attacks on the depletion allowance, and the like.

I have tried to center my comments on the risks that have an element of relative newness about them. These are the problems that are associated with the cushion concept, with the natural-gas price control, with the recurring agitation for end-use control over fuels, with the renewed threats of divorcement, and with the limitations of our highway capacity.

I am fully aware of the fact that I have done no more than state the problems. I have not even suggested possible solutions—for the simple reason that solutions demand the best thinking of all members of the industry. With all the earnestness at my command, I urge that the industry's management, the industry's economists, and the trade press that serves the industry so well concentrate a renewed attention on these risks. Only if we concentrate on them, only if we devote ourselves to eliminating these risks beyond calculation can we keep our industry manageable and help insure the continued prosperity of our nation.

Bankers Offer Weco Products Com. Stk.

Bacon, Whipple & Co., Chicago, Ill., and associates, on Nov. 23 publicly offered 182,984 shares of common stock (par $1) of Weco Products Co. at $13.50 per share. These shares are being sold by certain shareholders of the Weco company and none of the proceeds accrue to that company.

Weco Products Co. was incorporated in Illinois on May 1, 1900. It is principally engaged in the manufacture, packaging and sale of toothbrushes, and to a lesser extent, of hair brushes and shampoo brushes. The company also sells toothpaste, hair nets, powder puffs and handkerchiefs.

The principal trademarks or trade names under which these products are distributed are "Dr. West's" (toothbrushes and toothpaste), "Gainsborough" (hair brushes, shampoo brushes, hair nets and powder puffs) and "Kee" (handkerchiefs).

Total sales for the year ended Sept. 30, 1954 were $8,274,352, as compared with $8,718,596 for the preceding year and $7,519,759 for the year ended Sept. 30, 1952.

Continued from page 4

The State of Trade and Industry

tions, the greatest number for that month since 1946, Dun & Bradstreet, Inc., states. This represented a rise of 6.4% over the September count at 9,256, and it was 19.2% above October 1953 with a total of 8,267.

The number of new businesses chartered during the first 10 months of this year was also the highest since 1946. There were 95,448 new concerns listed so far this year, as compared with 86,361 for the same period a year ago, or an increase of 10.5%.

Steel Output Scheduled This Week at 79.3% of Capacity

The steel buyer is going to be a busier man from here on buying more steel and doing more advance planning, says "Steel," the weekly magazine of metalworking.

With inventory reduction over he'll have to raise his buying up to the level of consumption. As the over-all demand for steel increases, delivery times lengthen. To make sure steel will arrive when needed, he will have to be more careful in his order planning and order earlier, declares this trade magazine.

It looks like this year's ingot output will total 85,518,000 net tons, or 68% of capacity, states this trade weekly, representing about 63,300,000 tons of finished steel. "Steel" calculates that consumption of finished steel will be as much as 71,100,000 tons this year. That means users relied on their inventories for 7,800,000 tons of finished steel—mainly in the first nine months of this year.

Consumption of finished steel at an annual clip of 71,100,000 tons has been exceeded in only three years—1950, 1951 and 1953. If finished steel were being produced at that pace this year, we would need an ingot rate of 94,800,000 tons, it states.

Steel production at 94,800,000 tons is equal to 76% of present ingot capacity. Some of the steel company analysts have been thinking that next year's steel ingot rate will average around 75% of capacity, and most forecasts of business in general are for a slight increase. If the current 79% ingot rate accurately reflects business conditions, we could expect the steel rate next year to range between 75 and 80% of present capacity. That would give an ingot output of from 93,200,000 to 99,500,000 net tons. The record, which was set last year, is 111,609,719 tons, "Steel" observes.

Blast furnace output in 1954 will be at a little higher rate than steel ingot production because steel producers increased their reliance on pig iron and cut their usage of scrap in making steel. "Steel" estimates that blast furnace production this year will total 58,233,000 net tons—71% of capacity. Last year, blast furnaces yielded 75,856,872 net tons.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity of the entire industry will be at an average of 79.3% of capacity for the week beginning Nov. 22, 1954, equivalent to 1,890,000 tons of ingots and steel for castings as compared with a similar rate and tonnage a week ago.

The industry's ingot production rate for the weeks in 1954 is now based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

For the like week a month ago the rate was 74.5% and production 1,776,000 tons. A year ago the actual weekly production was placed at 1,956,000 tons or 86.8%. 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 117,547,473 tons as of Jan. 1, 1953.

Electric Output Registers Gains in Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Nov. 20, 1954, was estimated at 9,317,000,000 kwh., according to the Edison Electric Institute.

This represented a gain of 120,000,000 kwh. above that of the previous week and an increase of 901,000,000 kwh., or 10.7% over the comparable 1953 week and 1,346,000,000 kwh. over the like week in 1952.

Car Loadings Advance 2% Above Previous Week

Loadings of revenue freight for the week ended Nov. 13, 1954, increased 13,660 cars or 2% above the preceding week, according to the Association of American Railroads.

Loadings totaled 708,757 cars, a decrease of 18,301 cars or 2.5% below the corresponding 1953 week, and a decrease of 119,993 cars or 14.5% below the corresponding week in 1952.

U. S. Auto Output Rises 11% In Latest Week and 47% Above a Year Ago

The automobile industry for the latest week, ended Nov. 19, 1954, according to "Ward's Automotive Reports," assembled an estimated 130,176 cars, compared with 116,285 (revised) in the previous week. The past week's production total of cars and trucks amounted to 162,886 units, an increase above the preceding week's output of 15,105 units or 11% due to Saturday work, states "Ward's." In the like week of 1953 104,231 units were turned out.

Last week, the agency reported there were 22,710 trucks made in this country, as against 21,493 (revised) in the previous week and 24,522 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 3,500 cars and 695 trucks last week, against 2,687 cars and 686 trucks in the preceding week and 3,617 cars and 881 trucks in the comparable 1953 week.

Business Failures Decline Slightly Below Preceding Week and Year Ago

Commercial and industrial failures declined slightly to 208 in the week ended Nov. 18 from 227 in the preceding week, Dun & Bradstreet, Inc., reports. This dip brought casualties a little below their toll of 223 a year ago, but they remained considerably above the 167 in the similar week of 1952. Compared with the pre-war level, mortality was down 32% from the 1939 toll of 308.

Failures involving liabilities of $5,000 or more dipped to 177 from 192 in the previous week and 196 in the corresponding week of 1953. A slight decrease also occurred among small casualties, those with liabilities under $5,000; they were down to 31 from 35 yet exceeded the 27 of this size reported last year. Fifteen of the failing businesses had liabilities in excess of $100,000, as compared with 19 in the preceding week.

Wholesale Food Price Index Registers Substantial Gains In Past Week

Continuing the uptrend of the three previous weeks, the Dun & Bradstreet wholesale food price index registered a further substantial rise last week to stand at $6.88 on Nov. 16. This was up from $6.80 the week before, and represented the highest level since Aug. 24 at $6.89. It compared with $6.51 a year ago, or a gain of 5.7%.

Commodities showing advances in wholesale cost the past week were flour, wheat, rye, oats, barley, hams, bellies, butter, coffee, eggs, currants and lambs. Down in price were corn, lard, sugar, cottonseed oil, cocoa, potatoes, raisins, steers 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 In Latest Week Approaches 1954 High Point

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., continued its uptrend to within a fraction of the 1954 high point last Friday. The index closed at 279.15 on Nov. 16, as compared with 278.22 a week earlier, and with 272.23 on the corresponding date last year.

Grain price movements were mixed last week. Corn and soybeans lost ground while wheat, rye and oats advanced. Strength in the bread cereal was largely influenced by a more favorable outlook for export business and a pronounced drop in producer marketings. Crop advices continued to stress the need for additional moisture in the southwestern Winter wheat areas. Aggressive demand from livestock feeders sent oats up to new highs for the season. Rye developed strength in sympathy with wheat and oats. Weakness in corn and soybeans stemmed from more liberal offerings as the harvesting of these two crops neared completion under ideal weather conditions. Activity in grain and soybean futures on the Chicago Board of Trade showed little change for the week but was substantially higher than a year ago.

Domestic flour business continued to be disappointing. Firmer prices failed to alter the cautious routine buying policies of bakers and jobbers despite the small balances held by these interests.

Butter prices continued their upward trend under more active trade demand in anticipation of Thanksgiving Day needs. Egg prices advanced quite sharply as demand for practically all grades continued to improve. Raw sugar showed further strength as the result of a scarcity of offerings due to a tie-up of shipments from San Juan, Puerto Rico.

Spot cotton prices showed a further slight drop last week, the chief bearish influence being the Government's November cotton crop forecast which was well above general trade expectations.

The market developed a somewhat steadier tone in closing sessions aided by the recent expansion in loans on 1954 crop cotton. CCC loan entries reported in the week ended November totaled 119,800 bales, against 93,700 in the preceding week, with entries for the season through that date totalling 622,300 bales. Trading in the 14 markets slackened following the release of the crop forecast, with sales for the latest week reported at 376,200 bales, against 425,700 bales a week previous.

Trade Volume Shows Slight Recession In Latest Week

The recent rise in retail trade was not sustained in the period ended on Wednesday of last week and the total volume of business fell slightly below that of a year ago. Although there was a satisfactory response to widespread Veterans' Day promotions, consumers' preferences centered on small—rather than big—ticket items, and interest in Christmas purchases gained moderately.

Merchants are preparing for the biggest Yule season ever.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be 3% below to 1% above the level of a year ago. Regional estimates varied from the corresponding 1953 levels by the following percentages: East and Midwest —2 to —6; New England —1 to —5; Northwest 0 to —4; South —1 to +3; Southwest 0 to +4 and Pacific Coast +2 to +6.

The total volume of apparel sales decreased last week, as many consumers failed to continue Fall wardrobe purchases. There was a decline in the demand for women's suits and dresses, but coats, furs and millinery were popular. Sales of men's wear gained with darker-colored suits, dress shirts, sweaters and other furnishings frequently bought.

In spite of some early Christmas layaway buying, sales of household items were generally slow the past week.

The total purchases of furniture, bedding and appliances lagged, although the demand for television, radio sets, china and glassware rose.

Trading in most of the nation's wholesale markets increased seasonally in the week, as many buyers replenished their Fall stocks while others placed early commitments for Spring.

The total dollar volume was approximately equal to the high level of a year before.

Improvement was noticeable in orders for textiles, some appliances, toys and holiday novelties, but furniture was in lessened demand.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Nov. 13, 1954, decreased 2% below the like period last year. In the preceding week, Nov. 6, 1954, an increase of 5% (revised) was registered above that of the similar period in 1953, while for the four weeks ended Nov. 13, 1954, a gain of 4% was noted. For the period Jan. 1 to Nov. 13, 1954, a loss of 2% was registered from that of the 1953 period.

Retail trade volume in New York City the past week, according to merchants' estimates, was slightly ahead of this year.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Nov. 13, 1954, registered a decline of 3% below the like period of last year. In the preceding week, Nov. 6, 1954, an increase of 9% (revised) was reported from that of the similar week in 1953, while for the four weeks ended Nov. 13, 1954, an increase of 4% was reported. For the period Jan. 1 to Nov. 13, 1954, no change was registered from that of the 1953 period.

Broad Street to Combine With Connecticut Trust

Shareholders of The Connecticut Investment Management Corporation, a closed-end investment company with assets of $820,000, have voted to combine their company with Broad Street Investing Corporation, a mutual fund. The Connecticut corporation is the second investment company to join forces with Broad Street Investing this year. In January, Francis F. Randolph, Chairman of the Board and President of the Broad Street Investing, announced that the fund had acquired the assets of Ferncliff Trading Corporation.

Completion of the transaction with The Connecticut Investment Management Corporation will raise Broad Street Investing's total assets to above $31 million as compared with $36 million at the start of the year. In addition to acquisition of the assets of the two companies, record sales of new shares have contributed to Broad Sreet Investing's growth in 1954. So far this year, net sales of new shares have added more than $10 million to the fund's assets.

More than 86% of the outstanding shares of The Connecticut Investment Management Corporation were voted in favor of the proposal to combine with Broad Street Investing and only .3% voted against.

In submitting the proposal to the Connecticut corporation's shareholders, H. Crowell Freeman, President, pointed out that in the opinion of that company's management the investment record of Broad Street Investing is good and that confidence in the organization behind this record, which has been actively engaged in the investment company field for almost 25 years, is warranted.

Mr. Freeman also pointed out that Broad Street Investing is able to operate at an expense to its shareholders which is among the lowest in the investment company field because of its participation with several other investment companies in an arrangement under which investment research and administrative services are provided at cost by Union Service Corporation.

Under the terms of the plan as approved by shareholders, the assets of The Connecticut Investment Management Corporation will be exchanged for Broad Street Investing shares with equivalent asset value. Shareholders of the Connecticut company will then turn in their shares and receive Broad Street Investing shares in return. Shareholders will be advised when the exchange ratios have been completed and of the exchange procedure to be followed.

Mutual Funds

By ROBERT R. RICH

FOR THE THREE months ended Sept. 30, 1954 Massachusetts Investors Trust reports total assets of $695,642,528 with 28,000,028 shares outstanding and 118,684 shareholders. These are record figures in the 30-year history of the Trust.

Comparable figures for the third quarter of 1953 were: $476,591,704 total assets, 26,346,767 shares outstanding and 110,925 shareholders.

As of Sept. 30, 1954, the net asset value per share was $24.84. This amount, together with a special distribution of 24 cents per share in February from net capital gains realized in 1953, is equivalent to $25.08 per share and compares with a net asset value of $18.09 per share on Sept. 30, 1953.

During the quarter, the trust added $14,142,663 to its investment holdings and sold $6,488,684 of securities, both figures excluding short-term notes.

Major portfolio changes for the three months included:

PURCHASES

Company—	Bought
Armco Steel	25,500
Bethlehem Steel	10,000
Champion Paper & Fibre	15,000
Food Machine & Chem.	10,000
General Motors	15,000
Illinois Power Co.	20,000
Middle South Utilities	*10,000
Pullman Incorporated	29,000
Union Oil Co. of California	34,200
United Aircraft	20,000
U. S. Steel	20,000

SALES

Company—	Sold
Chance Vought Aircraft	19,866⅔
Chrysler	60,000
Eastman Kodak	4,500
Lilly (Eli) "B"	5,600
Montgomery Ward & Co.	5,000
National City Bank, N. Y.	†60,000
Northern Illinois Gas	2,600
United Merch. & Mfrs.	63,000

*Purchased partly through rights.
†Rights.

WITH THE DECLARATION of its 100th consecutive quarterly dividend, the $375 million Wellington Fund culminated a quarter-century of uninterrupted quarterly distributions to its shareholders.

In addition to a quarterly dividend of 22 cents a share from net investment income, the Fund also declared a special year-end distribution of 63 cents a share from net realized securities profits. Both are payable Dec. 29, to stockholders of record Dec. 8.

These year-end distributions of some $10,100,000 from net realized securities profits and $3,400,000 from net investment income are the largest distributions to shareholders ever made by this leading mutual fund in any quarter since its inception.

These payments will go to the greatest number of shareholders in Wellington's history. Located in the 48 states and 33 foreign countries, they total about 135 000 to rank the Fund as one of the 20 largest American corporations in number of shareholders.

With these distributions, Wellington will have paid its shareholders over the past 25 years a total of $53.400 000 in dividends from net investment income and $36,600,000 in special distributions from net realized security profits.

THE GEORGE PUTNAM Fund of Boston reports for the third quarter of 1954 total net assets of $90,760,000, equal to $21.98 per share, compared with $62,886,000, equal to $17.53 per share, a year ago. Shareholders on Sept. 30, 1954 rose to 28,000, compared with 24,000 a year ago.

George Putnam, Chairman of the Trustees, said that although a number of changes were made in individual issues, no important change was made in the broad distribution of investments during the quarter. In the common stock section, emphasis continues to be placed upon shares of strong, leading companies with a "forward look," Mr. Putnam said.

The report notes that it has become increasingly difficult to find good investments that provide an attractive return, as the prices of stocks have advanced substantially over the past year.

"Under such conditions," the report says, "there is always the temptation to lower quality in order to secure a larger current income. Your management does not intend to follow such a policy. They feel that this is not the time to sacrifice quality for income."

Principal changes in the common stock section of the portfolio for the quarter were:

NEW ADDITIONS

Shares	
12,600	Devoe & Raynolds "A"
15,000	Dominion Stores, Ltd.
2,000	Loblaw Groceterias "B"
10,000	Mead Johnson
16,200	Puget Sound Power & Light
10,000	Standard Oil (Indiana)
40,000	State Loan & Finance "A" *

ELIMINATIONS

800	American Stores
7,500	Anderson-Prichard Oil
2,500	Hartford Fire Insurance
15,000	International Minerals & Chem.
20,000	Marathon
12,000	National Bank of Detroit
5,000	National City Bank (Cleveland)
3,500	Security First N.B. (Los Angeles)
10,000	United Fruit
10,000	Western Pacific Railroad

*Through conversion of preferred.

THE SHARES of New England Fund, a fully-managed mutual investment trust organized in Boston in 1931, are now qualified for purchase by savings banks in New Hampshire. The Fund thus becomes the 21 mutual investment company to meet the requirements of the New Hampshire Savings Bank law and to be added to the legal list by the State's Bank Commissioner.

New Hampshire and Rhode Island (where New England Fund also is qualified for savings bank investment) are the only states which specifically permit their savings banks to buy shares in mutual funds that meet certain requirements. The New Hampshire statute, qualifying certain selected funds, was passed in 1949.

New England Fund has been eligible for trust investment by New Hampshire fiduciaries for several years and has long met the qualifications for savings banks with the exception of the minimum size. This requirement was fulfilled in September, 1954 when

Fund Assets Now $5.3 Billion

In its first regular compilation of mutual fund statistics on a monthly basis, the National Association of Investment Companies reports that total net assets of 112 open-end mutual fund members on Oct. 31, 1954, amounted to $5,338,517,000. This is a decrease of $31,183,000 from the Sept. 30, 1954 total, due primarily to the pre-election stock market decline, but a gain of $1,192,456,000 since the first of the year when net assets totaled $4,146,061,000.

Sales of mutual fund shares for the month of October totaled $70,506,000 bringing total sales for the first 10 months of 1954 to $662,729,000. Repurchases of shares (redemptions) during October amounted to $31,868,000 and for the 10-month period totaled $332,861,000. During the three months ended Sept. 30, 1954 sales were $217,100,000 and redemptions $107,300,000. Mutual Fund shareholders, the Association notes, have the option at any time to convert their holdings into cash equal to the current asset value of their shares.

The Association reports that 6,280 new accumulation plans, providing for the regular purchase of mutual fund shares, were opened by investors during the month of October, bringing the total of new plans started in the first 10 months of 1954 to an estimated 53,280. During the third quarter, the Association states, 17,781 accumulation plans were opened.

Cash, U. S. Government securities and short-term obligations held by the 112 mutual funds on Oct. 31 amounted to $301,058,000, an increase of $15,165,000 over the Sept. 30 holdings and $37,411,000 greater than such holdings at the end of 1953.

OPEN-END COMPANY STATISTICS—
MONTH OF OCTOBER, 1954
112 OPEN-END FUNDS
(In 000's of $)

	10/31/54	9/30/54	12/31/53
Total net assets	$5,338,517	$5,369,700	$4,146,061

	Month of October	3rd Quarter 1954	10 Mos. Through October, 1954
Sales of shares	$70,506	$217,100	$662,729
Redemptions	31,868	107,300	332,861

Holdings of Cash, U. S. Governments and Short-Term Bonds

Dec. 31, 1953	$263,647
Sept. 30, 1954	285,893
Oct. 31, 1954	301,058

Accumulation Plans	Month of October	3rd Quarter 1954	10 Mos. Through October, 1954
Number of new accumulation plans opened in period (73 companies with plans)	6,280	17,781	*53,280

*Estimated.

the Fund passed the $10,000,000 milestone.

EATON & HOWARD Balanced Fund Third Quarter Report dated Sept. 30, 1954, shows asset value per share of $18.46, up 17.8% over $15.67 per share at the beginning of the year. Total value of the Fund on Sept. 30 was $129,878,729, up from $101,963,256 at the beginning of the year. Shares outstanding total 7,037,337 compared with 6,507,970 and the number of shareholders, 21,844 compared with 20,359.

On Sept. 30, 1954, 7.7% of the Fund was in cash, U. S. Government and short-term notes, 16.2% was invested in corporate bonds, 14.2% in preferred stocks and 61.9% in common stocks. The largest common stock holdings by industries were oil (13.5%), power and light (11.0%), insurance (5.4%), banking (5.0%) and natural gas (4.4%).

EATON & HOWARD Stock Fund Third Quarter Report dated Sept. 30, 1954, shows asset value per share of $15.65, up 29.6% over $12.08 per share at the beginning of the year. Total value of the Fund on Sept. 30 was $31,840,062, up from $20,860,870 at the beginning of the year. Shares outstanding total 2,034,710 compared with 1,726,902 and the number of shareholders, 6,517 compared with 5,286.

On Sept. 30, 89.4% of the Fund was invested in 100 stocks representing 27 different industries; 10.6% was in U. S. Government bonds, short-term notes and cash. The largest stock holdings by industries were oil (12.9%), insurance (9.5%), power and light (9.3%), chemical (6.2%), and banking (5.8%).

TOTAL NET ASSETS of T. Rowe Price Growth Stock Fund increased to $3,460,932 on Sept. 30, 1954 as compared with $1,956,386 one year earlier. Net asset value per share stood at $23.17 on Sept. 30, 1954, a gain from $15.82 on Sept. 30, 1953. The earlier figure has been adjusted for the stock distribution of one share for each share held to stockholders of record Sept. 17, 1954.

PERSONAL PROGRESS

H. I. PRANKARD II, President of Affiliated Fund and American Business Shares, announces the election of D. J. Enright and Henry G. Kuipers as Vice-Presidents and Raymond P. Linn as Secretary of both funds.

GUARDIAN MUTUAL FUND—As of Oct. 31, 1954, total net assets amounted to $2,170,000 as compared with $1,650,000 on Oct. 31, 1953. The net asset value per share on Oct. 31, 1954 was $13.34, compared with $11.65 one year earlier.

COMMONWEALTH FUND Indenture of Trust, Plan A and Plan B (Boston, Mass.) reports net assets on Sept. 30, 1954 of $15,428,943 as compared with $12,420,466 on Sept. 30, 1953. Net asset value per unit on Sept. 30, 1954 was $1.309 compared with $1.139 the previous year-end.

Affiliated Assets Reach Record $280 Million

Net assets of Affiliated Fund, Inc., second largest of the common stock investment companies, reached a record total $280,914,822 at the end of its fiscal year Oct. 31, 1954 as compared with $248,744,204 a year earlier. The increase, which resulted entirely from gain in market value of portfolio securities, was equivalent to 68c per share, advancing net asset value from $4.81 to $5.49 or 14%.

Dividends from income in the year amounted to 23 cents a share, as compared with 22 cents paid in the previous year. On Nov. 1, the company declared a capital gain distribution of 29 cents a share from profits realized in the fiscal year.

Operating expenses reached an all-time low for the year reported, amounting to 50 cents for each $100 of average net assets compared with 58 cents in the previous year and 65 cents two years ago.

Changes in diversification of assets during the year included a reduction from 22% to 14.5% of the holdings of electric light and power shares and an increase from 3.4% to 5.8% in drug shares. Despite the reduction, electric light and power shares remained the largest single group held, with natural gas stocks second at 12.7%; food stores third at 9.3%; and bank stocks fourth at 8%.

H. I. Prankard II, President, regards the passage of the last Federal tax law as "a good start toward relieving common stock investors of the burden of double taxation" and includes in the annual report detailed instructions on how to make out the 1954 income tax report to receive the full benefit.

Mr. Prankard states that common stocks in general have been good investments since the summer of 1949. During the five years that have intervened the company has sold off those stocks which reached prices that the management felt carried substantial risks and re-invested the proceeds in other stocks which seemed to them to have an equal or better opportunity for profit at a smaller risk of loss.

"Five years ago for example," writes Mr. Prankard, "our largest investments were in oil, chemical, electric light and power, and automotive stocks, while now our largest holdings are in electric light and power, natural gas, food, and banking stocks.

"Our holdings of electric light and power stocks illustrate our method of investing. Four years ago, we increased our holdings in these stocks from a little over 6% of our assets at the beginning of the year to 16% at the end of the year. At the prices we paid for these stocks, they seemed to offer attractive prospects of appreciation with comparatively small risk of loss.

"The market prices of our electric light and power stocks have increased greatly since 1950, and in the past year the prices of some of them reached points at which further appreciation prospects seemed insufficient to offset the increased risk. As they reached these points, we reduced our holdings and increased our investment in stocks which we believe will have above-average benefits from the population growth which has been so pronounced in our country in recent years. Stocks of drugs and shoe companies are typical in this latter category."

Continued from page 9

The Institutional and Individual Demand for Equities

19% prefer equities and only 51% prefer savings accounts and savings bonds this year. Last year, the equity figure was 20%. Thus, even in the higher income group the percentage preferring equities shows a slight downtrend, not an uptrend.

This survey gives support to a conclusion that, despite the strength of the stock market, despite growing confidence that a major depression is not in the cards in the foreseeable future, the rank and file of individual investors prefer to place savings in financial institutions rather than directly into equities. They evidently have less fear of inflation. They are more eager for dollar security as against purchasing power security.

How about the trend of the demand for stocks from financial institutions? Will institutions increase their buying of stock?

Savings institutions, other than open-end funds, prefer to invest in bonds and mortgages so long as there is an adequate supply and they can get enough income from fixed income investments to satisfy their needs. They will buy equities in increasing amounts only because of a shortage of other investments, or because they cannot realize enough income from other investments.

The trend of the times is for income requirements of savings institutions to rise, due to higher costs and growing competition. Savings and loan associations have become our fastest growing savings institution because they pay higher rates to their members. The public is becoming more rate conscious, hence institutions must become more rate conscious in order to attract the public's savings.

There are thus two reasons for financial institutions to go into equities more and more, even though many do so reluctantly. One is the need for more income. The second is the possibility that there will be a shortage of other investments, which will depress their yield further.

Common stocks still yield substantially more than bonds. And investors in common equities can look forward to eventual dividend increases since dividends now are only 55% of net income for all corporations, barring a major adverse turn in the economic situation.

It is interesting to note that in the decade of the twenties people expected common stocks to yield less than bonds, because of the retained earnings. It is conceivable that investors may become more conscious again of the retained earnings and the growth factors in stocks. In that event, prevailing yields are satisfactory compared with yields on bonds. As compared with mortgages, that is much less true.

For the first time in several years, life insurance companies will increase their mortgage holdings more than their holding of corporate bonds in 1954. In mutual savings banks, mortgages are absorbing virtually all new funds. A drop in building which would reduce the supply of new mortgages could thus greatly add to the pressure on financial institutions to buy common stocks. Any contraction of the mortgage supply would reduce the supply of the chief competitive investment from the yield standpoint.

Given maintenance of corporate earnings, therefore, equities can become of more interest to institutional investors whenever the supply of new mortgages may contract, particularly if the level of interest rates should decline further.

The supply of equities, which has not been increasing materially because of new issues, is likely to increase at even a slower rate over the next few years. Corporate new capital requirements are declining. Given a stable economy, working capital requirements will not increase materially. Plant and equipment spending shows a downward trend, and this should continue as the program of building defense and defense-supporting plants subject to rapid amortization is completed.

At the same time, corporations are assured of a heavy flow of funds from internal sources. Depreciation allowances are going up rapidly, going up without interruption. In 1946 all depreciation deductions, Department of Commerce tells us, were $4.2 billion. This year they are over $12.5 billion.

Conclusions

So we face a prospect of institions finding they must go into equities to a larger extent, to sustain the rate of return, while the supply of new stock issues will tend to contract because of reduced corporate capital requirements. Demand for stocks has been exceeding the supply this year. It could exceed the supply to a greater degree over the next few years if institutional investors should find it desirable to add more rapidly to stock holdings to sustain income or to find adequate investment outlets.

Demand for stocks would be much greater than the new supply if individual investors should modify their attitude and put a larger proportion of their savings directly into stocks.

But all this is dependent upon corporate earnings being sustained so that dividend rates can be maintained or increased. Over the long run, the dividend return is the objective of equity investment.

Dean Witter Places Friden Stock at $32

An issue of 14,500 shares of common stock (par $1) of Friden Calculating Machine Co., Inc., of San Leandro, Calif., was placed through Dean Witter & Co., San Francisco, Calif., at $32 per share, it was announced on Nov. 19. This financing did not constitute new financing on the part of the Friden company.

With Continental Secs.

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich.—Howard S. Felton is now with Continental Securities Co., Inc., Peoples National Bank Building.

Railroad Securities

Baltimore & Ohio

One of the speculative features of the recent strong rail market has been Baltimore & Ohio common stock. At its best last week the stock was selling 75% above its low for the year, and despite some profit taking late in the week, the close on Friday was only a point below the year's top. Some renewed enthusiasm for the shares probably came from management optimism implied in the declaration of a $1 dividend, the same as had been paid at the 1953 yearend. In many quarters it had been expected that with net income off about 50% and traffic still running below 1953 levels the management might decide to cut the distribution. As much as this dividend action may have helped speculative sentiment it is believed by those close to the situation that the major influence on the stock has been indications that progress toward reduction in fixed charges may be accelerated sharply during coming months.

Under the bond adjustment plan of 1944 when combined fixed charges and contingent interest exceed $22 million in any calendar year, 50% of net income after all charges, the capital fund, and the small fixed sinking fund, goes to a so-called surplus income sinking fund. Dividends may be paid only out of accumulated net income remaining after deduction of this surplus earnings sinking fund. Moreover, while combined fixed charges and contingent interest exceed $20 million in any calendar year there must be added to the surplus earnings sinking fund a dollar amount equivalent to any dividends paid on any class of stock. Because of these sinking fund provisions the dividend paying ability has been, and still is, severely restricted despite the development in recent years of substantial earning power. Progress toward the initial goal of $22 million charges was rather slow in the years through 1953, and in that year the combined requirements came to $25,344,000. Now more progress is being made.

The extensive equipment buying program has come to an end. Thus there will no longer be an increase in interest charges stemming from equipment financing. On the contrary, there will be a significant annual reduction in annual interest charges through serial payments on equipment obligations already outstanding. Secondly, the company this year has reduced the outstanding collateral 4s, 1965 by $20 million, partly through proceeds from the sale of the Southwestern Construction Company. Finally, there have been substantial open market purchases of discount bonds to meet sinking fund requirements. As a result of these various operations it is indicated that combined fixed charges and contingent interest will have been reduced to an annual rate of not much more than $23 million by the end of this year.

With no more than the annual serial equipment obligation payments, and regular sinking fund retirements, the progress made this year would hold out promise of reaching the $22 million level of charges late next year or early in 1956. Actually, it is reported that the management has been exploring the possibility of a refunding operation designed to reduce the average interest costs on its bonds and thus accelerate the program. Many analysts are of the opinion that with the First 4s, 1975 consistently selling at a premium over par such a proposition woul have a good chance of success. If so, the ultimate goal of charges below the $20 million annual level might well be in sight.

It is estimated that with earnings at the 1953 level, a not overly optimistic hope in view of the growth characteristics of parts of the service area, a reduction in charges to $22 million would increase the dividend paying ability to $3 a share on the common, even after providing for property improvements through the capital fund and for sinking funds. Once the combined charges are down to $20 million, dividend paying ability on the same net income would be increased to over $7 a share, again after providing for property improvements and the small fixed sinking fund.

Continued from first page

Impact of Government's Role In the Housing Market

sive evidence of a transition from a relatively free, unfettered housing economy to a political economy where supply-demand market forces have been subordinated to political regulation and dictation for expedient political gain. Short-term solutions have conquered long-term constructive thinking. It has become a fetish to deal in temporary expedients without a passing thought to the long-term implications for the economy.

A two-fold thesis will be presented. One, the public has succumbed to the paternalistic concept that it is somehow a responsibility of the government to provide housing, either directly or otherwise. Two, the control of housing has been seized upon as a means of sustaining the national economy and of maintaining the Gross National Product at record levels through the device of credit control, used somewhat in the manner of a bath faucet. The ramifications are apparent in the uneasy, artificial nature of the housing market today. Viewed from the perspective of the history of the past 20 years, the implications assume alarming proportions. The tragedy is that so few really stopped to realize what had actually transpired. We are currently witnessing the absolute socialization of the housing market while at the same time maintaining the fiction of private property ownership.

Let's look at the record.

Hark back to 1934. Remember the almost complete cessation of construction and market activity; the drop in prices so acute that scarcely any mortgaged property was worth the lien; the dearth of mortgage money by lenders already badly hit by foreclosures and depleted savings accounts; and, of course, the widespread unemployment. Only 125,000 nonfarm dwelling units were started in 1934, only 10% of today's production.

Into this disheartening picture of economic stagnation came a truly statesmanlike and imaginative legislative enactment whose foundation rested on the concept of insurance—a form of insurance where distribution of potential losses was spread among the beneficiaries through premium payments to protect the institutional lender against capital loss. It is regrettable that institutional lenders, whether because of a lack of concerted action, or ingenuity, did not institute their own private mortgage insurance agency under participating stock ownership. In any event, the original purposes of FHA were undeniably commendable. By assuming the institutional lenders' risk of loss, mortgage funds, which had heretofore been frozen, became available. This was a major step forward since economic recovery in housing would never be possible without the credit accommodations provided by mortgage lenders.

The builder now had an incentive to build. He could obtain high loan-value ratio financing commitments which, in turn, eased building loan financing for him and reduced the equity investment required to build. The purchaser also had an incentive to buy because of the new concept of the low down payment, and because of the elimination of the burdensome, and often destructive, second mortgage. The budget-type, monthly-payment self-liquidating loan, originated by the state savings and loan associations, became a popular device of instalment buying.

Because of the troubled times, an understandable failure to grasp the potential of mortgage insurance, an acute oversupply in many sections, and a deep-seated distrust of governmental intervention, few lenders took initial advantage of FHA. Then slowly, the mutual savings banks, the insurance companies, and, finally, the savings and loan associations awoke to its possibilities.

By 1936, FHA had issued insurance on 5% of all housing starts. After the 1937-38 recession, the insurance commitments rose steadily by 1941 to 36% among a grand total of 700,000 housing starts. The postwar rise was, of course, phenomenal. The breathtaking production year of 1950 (the year of VA credit liberalization) saw FHA reach a pinnacle of 36% of all starts. Together with 15% for VA starts, they constituted 51% of the market.

A decline occurred after March 1951 when the Federal Reserve abandoned its price support of the government bond market and precipitated a general interest rate rise and a general scarcity of mortgage funds which existed until the middle of 1953. Lenders got smart. When they didn't have too much money to lend and with pressure for higher savings yields, they abandoned FHA-VA and made highly selective conventional loans at higher interest rates. This accounts for the FHA-VA drop to about 40%. Since a cheap-money policy was again embraced, the trend shows a strong tendency towards reversal and it may be forecast that the 1950 high of government participation in private housing, aided by the Housing Act, will easily be exceeded. Thus, we face not only greater intervention under the twin impact of cheap money and cheap credit, but also the creation of a higher volume of housing starts. The ramifications of a housing oversupply will be discussed later. Let us return, however, to the initial accomplishments of this agency.

FHA accomplished other early miracles. Certainly it contributed to improved appraisal standards. Let's face it—the appraisals of the 1920's were strictly of the "windshield variety." The magnificent contributions of Frederick Babcock and Arthur May in their writings, in the FHA Underwriters' Manual, plus the contributions of the AIREA and the SRA, made mortgage bankers more acutely aware of the need for a systematic and orderly appraisal process. It dawned on us that scientific valuation of the security was an absolute requisite to successful lending practice. FHA led the way.

Although, admittedly, FHA standards are minimum standards, the effects were nevertheless salutary since jerry-building was virtually eliminated, and better inspection practices forestalled deviations from the approved plans and specifications. Initially, FHA encouraged new research into housing styles, equipment, layout, and design.

The over-all pre-World War II results were indeed favorable even though many lenders still felt they could exist and compete without FHA. They were to learn to their later chagrin that self-liquidation periods, interest rates, and loan value ratios were to be further liberalized, putting the conventional lender at a terrific disadvantage. For example, the savings and loan associations have recently been forced, however reluctantly, to consider petitioning the Federal Home Loan Bank Board for an increase to 25 years in the self-liquidation period so that they would not be legislated out of the lending market.

Such a lofty start! It is almost inconceivable that FHA could have deteriorated so rapidly! Unfortunately, the original high purposes and objectives of FHA have, in part, been perverted by the heavy hand of political expediency. The deterioration is easy to trace. It started innocently enough in the year-to-year extension of Title VI, Section 608, originally a war-born measure designed to induce private capital to construct defense housing in war areas by permitting FHA insurance on a 90% loan based on an "estimated cost." No one can logically question the need for this legislation during the war when capital needed a special inducement because of the vast risks involved. The unwarranted continuation of this specious legislation until 1950, resulting in completions through 1952 of a melange of flimsy, frame, multiple-units of inferior design and appearance, requires closer examination.

Who conceived this postwar "give-away program" under the guise of the FHA label? It would appear that another wartime necessity, Federal rent control (the indefinite continuation of which became a benign objective of every self-seeking politician), had indirectly clamped a tight lid on multiple housing construction and was one of the culprits in the perversion of FHA. Rent control not only resulted in the steady withdrawal of residential space from the rental market because of the inadequacy of the return, it also demoralized the conventional builder and discouraged new construction because of the widespread and uneconomic disparity which existed between the rents and values of controlled real estate and the inflated costs and rents of new construction in an inflated market. The pressing, pent up demand for rental accommodations was further intensified by a wholly unwarranted and artificial increase in family formation as a result of cheap rents. In the interim, the insidious psychology that rent control was a necessary peacetime function of government was actively promoted.

Think back to 1948! The "608" program was a way out of a political dilemma! Why not solve it by an expedient? Since the elimination of rent control was politically indigestible and no one wanted to risk the prudent long-range but politically unacceptable solution of an orderly, gradual decontrol, why not attract equity capital by the "handout" process? These were seemingly deliberately conceived handouts encouraged by responsible Federal officials charged with the execution of a defective law. It was a matter of common knowledge among Federal officials that the experienced builder could "borrow out." The average of costs adopted was so liberal that only the inexperienced investor would complete a "608" with a cash investment.

Simultaneously with the passage and administration of Section 608 and its companions, Sections 207 and 213, the failure to tighten up the provisions of the Title I home repair sections until too late was symptomatic of the continuing deterioration of FHA. One could trace in the market a definite tendency towards lowered administrative supervision of Title II—the bulwark of the FHA. The degenerative process was not due to any one cause; a variety of factors was responsible. Most significant, perhaps, in the decay was the postwar haste to turn out housing for socio-political, as well as economic purposes. The political Administration then in power no doubt felt a compulsion, not necessarily of charitable origin, to identify itself with a large supply of private housing. If the legislation seemed adequate for the purpose, they insured the goal of more housing by looking the other way on inspection, by compromising standards on material, size, style, plot-size and all other value factors essential in the underwriter's evaluation of the risk.

A contributing factor in this lingering malaise, more symptomatic than causal, was the deadening hand of bureaucracy, the politically-inspired appointments, the complacancy indigenous to sustained continuance in power. No wonder many resisted the intrusion of FHA into the lending market!

The tightening vise of governmental participation in housing is no better documented than in the knowledge that four out of every 10 housing mortgages is either insured or guaranteed by the Federal Government; seven out of 10 on apartments! We will start 1955 with $40 billion in private mortgage debt in which the Federal Government is the guarantor and insuror.

What has been the results during this same time period of the VA program under the Servicemen's Readjustment Act, the so-called "G. I. Bill"? Designed to assist the returning veteran to purchase housing on a liberal basis, it contained (unlike FHA) no provision regulating loan/value ratios. The only restraint against unprovoked 100% loans was in the $4,000 guarantee provision. Those early days were the days of the combination loan in which FHA insured the first 80% of the value at 4½% and VA guaranteed the top 20%, at 4% interest. An oddity, yes, but certainly liberal to the extreme. It did not, however, satisfy. Further liberalization was achieved as the result of the recessionary episode of 1949. Although housing continued at the same level, it was deemed expedient to extend the self-liquidation period to 30 years, and to insure the participation of the lender by raising the guarantee provision to $7,500. As a result, we had the greatest year of housing production in the nation's history. In the fall of 1950, costs started a further upward spiral movement which, aided by the demands of Korean War, reached a distressingly higher plateau about 15% above 1950 levels. The economic effects of this liberalization of credit will be discussed later.

Hardly recognized at the time was a provision in the legislation which permitted the VA to make loans directly, at a limit of $10,000 each, in capital-shortage areas. This represented an encroachment on institutional lending prerogatives serious enough to threaten the foundations of the private mortgage banking field. This statement may be decried by the housing planners but the hard fact is that this provision could easily be used as a lever to force private lenders to make loans on any terms which the government deemed expedient. If the principle became sufficiently rooted, Congress would hardly dare to repeal this section of the law; the law would become nothing more than a weapon to enforce the government's housing demands on the lender. It is to the government's credit that the direct lending power has been used with some discretion and that Congress has shown wisdom in imposing a ceiling on the aggregate which could be loaned. These factors cannot obviate, however, this basically dangerous provision which constitutes a threat to the traditional independence of the institutional lender and to the savings of depositors.

A third phase of governmental intervention is of concern. This is the role of public housing as an extension of the welfare state concept, along with the social reforms inherent in unemployment and old-age insurance and minimum-wage standards as well as others. While all intelligent and well-intended people would like to see others in better economic circumstances serious questions are raised about the means employed to achieve this ideal welfare state.

Better public and private housing may in themselves be desirable but political action with all the insincerity and the heavy cost which it entails seems scarcely an acceptable substitute for raising housing standards by production. Public housing seems a humanitarian and charitable endeavor since it provides a few people with housing which they could not otherwise afford but deficits must be met by taxing the savings of those not permitted to enjoy its benefits. What makes this neat little trick immoral is the realization that the votes of those who qualify far outnumber those who do not but who, by reason of income, must pay for the housing of others. Charity, yes, but by political compulsion, not by compassion or suasion. In the process of government administration of this program, it also seems obvious that governmental intervention invokes low rents at a total greater direct and indirect cost than is possible under private ownership.

One is reminded of the family man making $3,000 a year who did not qualify for a shiny new apartment at $30 a month and who groused bitterly to his Congressman because his friends, making $2,880 a year, enjoyed the benefits —a discriminatory as well as an immoral concept. Some hint of the eventual outcome of all this can be seen in the experience of New York City which has not only state and Federal subsidized public housing but also so-called non-subsidized public housing offered by the City at rents of $20 per room monthly to families with incomes as high as $5,000 a year or more. Of course, the non-subsidy is a joke. Tax concessions and unique accounting techniques make a mockery of the assertion. The result? 85,000 public units of all types and an absolute lack of new construction of middle income, privately built housing at economic rents. There are heard hues and outcries from the press and public while the City argues in vain with the State administration for more money to relieve a growing municipal deficit and a mounting debt burden created by a pervading philosophy of "something for nothing," "it's the government's responsibility," and the rest of the charlatan expressions.

The National Housing Act of 1954 has served to bring the pattern of the last 20 years into sharper focus. Decreasing the down payment requirements and extending the maturity period on Title II loans from 25 to 30 years is only a further extension of a socio-political and economic need. It is apparent that housing has become a major interest of the Federal Government in our political economy. The demand for housing will be artificially created and sustained by politically created conditions not by more conventional phenomena as need, purchasing power, and relative scarcity. Expediency rules the roost! Housing has apparently been selected as the means of scraping the bottom of the demand barrel to promote the end of a normal and necessary economic adjustment. The short-run effect may incidentally provide just such a result. Housing figures for August and September indicate a record number of starts which will probably continue into 1955. The economy could receive a significant impetus from a spurt of those proportions.

The long-range results are the same, however, as with all prior instances of "gassing up" the economy by a further undue extension of credit. As was the case in the immediate post World War II period, we now will see higher and higher housing prices, far beyond the justification for them in terms of the immediate labor and material costs, and greater premiums paid for cheap money. Competitive bidding for lush credit terms first creates unwarranted price rises; but, as the pressure of artificially created demand continues, labor, material, and land costs also rise as demand outstrips the available supply and inflation continues to ever dizzier heights.

A far more tragic consequence for the existing home owner and the mortgagee is the imminent danger of an overbuilding boom. Excessive indulgence in legislation of the VA-FHA type exceeds the bounds of business prudence and economic propriety and will ultimately serve only to encourage the distress market where homes may sell at far less than cost and tenuous government-created paper equities will disappear. Critics of this viewpoint contend that an oversupply need not occur; that a still more liberal dose of credit will continually bring new buyers into the market on the wings of a rising population curve and in light of a need for a higher housing standard. Much significance has also been ascribed to the so-called "built-in stabilizers" inherent in unemployment insurance, farm props, social security, minimum wages, and other gifts to the electorate characteristic of a social democracy which it is claimed will tend to create a floor under recessionary tendencies. There is no dispute on the general conclusion. However, the human factor is usually overlooked. As long as people are either pessimistic or optimistic, and as long as the Malenkovs and Mao Tse Tungs create recurrent international crises, mistakes will be made, economic maladjustments will invariably occur, and calamitous conditions, particularly when fanned by easy credit, can very well happen.

Does not this reasoning also conveniently ignore the deleterious effects of successively higher price levels? Boom prices only provoke more hardship in the disparity between nominal (inflated) dollars and real dollars. Why add unduly to the already heavy volume of private debt? There is a widely circulated inference that the more debt the better, because borrowing means additional purchasing power, hence increased production and consumption so that additional debt is meaningless as long as prices and incomes rise apace. This ignores the legitimate purpose of credit accommodation, that is, the transfer of purchasing power from those with no immediate need for it (the lender) to those who do (the borrower). When purchasing power, aided by imprudent credit expansion, rises higher than increases in volume of production, prices and money - income rise while real-income does not. Thus, the time honored concept of creating money by printing more money has been altered to the concept of creating new debt. This glorification of debt creates pressures for higher prices which may eventually provoke economic chaos.

The new concept of housing, shaped and stimulated by governmental credit control, has also produced a unique new class of homeowner.

For example:

(1) The owner without a financial stake in his housing, who is less inclined to maintain it properly than, say, his car in which he has a $500.00 equity investment. This is an elementary illustration of human nature.

(2) The owner who regards his carrying charges as a form of rent, places himself in an almost transient tenancy status, and takes no interest in civic or community affairs.

(3) The owner who has never sacrificed and saved to make a reasonable down payment, consequently takes no pride in his house, and who, when put to the test, will not fight for it but will fade out, if and when real estate prices sustain a significant decline.

This would have been a lot more evident if many of the "no-cash" buyers had not been bailed out by further inflation and the creation of spurious equities. Home ownership, in these cases, has become a myth and a fiction. There has been molded an inchoate form of tenancy, under a form of ownership dependent for its continuance upon the Federal Government, the tenancy to be consummated when, and if, the wave of foreclosures begins. Does it not seem logical that the administrative stewards of the government, inferentially at least, might expect repayment of this paternalism in political loyalty? And particularly galling and distasteful is the veteran home owner who treats his mortgage obligation with a casual air of impunity, serene in the belief that the government will modify or cancel his (the mortgagor's) obligations if a widespread recession occurs, forgetting that the "government" is nothing more than the already overburdened taxpayer.

The New Era in Housing

FHA and VA are only symbols of a new housing era. Its many manifestations are found in public housing, rent control, FNMA and in the Bankhead-Jones Act. It seems reasonable to conclude that housing has become identified with the public interest. The Federal Government and others have insidiously promoted the psychology that the public is entitled to new and better housing than it can prudently afford. It has achieved its purpose, not by giving the housing away, but by forcing cheap credit on the lender at possible eventual public expense and, of course, to the detriment of the higher income taxpayer.

Thus, housing has already joined the swelling ranks of the public utilities. No doubt the idea seems strange. It is evident, however, that many present characteristics of private housing are also true of the public utilities. For example, in many sections of the FHA there is regulation of the rate of return, in the setting of a standard of operating expenses, and in the character and style of construction. Certainly there is control of the rate of construction of new housing through the relative availability or paucity of mortgage guarantee or insurance commitments, or through the simple device of liberalizing or stiffening down payments, interest, and amortization requirements. Governmental participation through rent control, mortgage guarantees or insurance provisions, credit restrictions, public housing, and other activities has made it increasingly more difficult for private, conventional lending sources to compete. The result is that survival as a mortgage lender may ultimately rest on surrendering to the easy money advocates, with the consequent loss of interest to depositors occasioned by a lowering of the average yield in the aggregate mortgage portfolio as the extent of the lender's government-backed mortgage rises.

Most private lenders would shudder at the thought of a portfolio containing 50% or more FHA and GI loans, not only because they are opposed to undue governmental participation in their affairs, but also because of the lowered interest yield. It seems incredible that the very persons who may be crying for a greater return on their institutional savings are, at the same time, advocating and promoting easy credit for themselves without realizing the depressing effect it would have on interest yields. It is remindful of the dog chasing its own tail. It seems to be a favorite form of mental locomotion these days.

The injection of a third party, the Federal Government, as a guarantor or insuror into the traditional mortgagor-mortgagee relationship has reduced the responsibility of both borrower and lender in the exercise of ordinary business prudence in the conduct of their affairs. The government, which initially may have had nothing but beneficent intentions, although subsequently debased by political overtones, has usurped the lender's prerogatives by transferring the processing, as well as the risk, of the investment to the government—incidentally, a very neat device to control housing under the guise of the risk underwriter's needs. Important decisions concerning the mortgagor's credit standing, valuation of the security, loan-value ratios, interest and principal requirements have been surrendered to the appropriate governmental agency.

Even more alarming is the continuous decrease in the lender's own importance and prestige. His judgment simply doesn't count any more. He has been forced to surrender control of a portion of his business and to abdicate his role as a mortgage officer to the Federal Government. Are not FHA and VA appraisals accepted in lieu of his own? Could not FHA and VA become alphabetical designations for a new form of HOLC? Correspondingly, the borrower doesn't have to exercise any prudence in his decision to purchase. A combination of low down-payments and low credit standards have lured many families into the belief that they can afford housing which objectively is beyond their means.

Housing has also been designated as the main prop of the Gross National Product — the foundation of the economic house so to speak. It has slowly, but inevitably, dawned on many persons that housing, through credit and other controls, could be used as an instrument for maintaining a high level of income, and for eliminating the possibility of a significant corrective deflation. Thus, if business conditions constricted, income fell and unemployment rose, why not give the economy a "shot in the arm" by liberalizing the opportunities of home purchase? Since one out of every six persons is directly or indirectly employed in the building industry, the economy could receive a significant impetus. As a short-run solution, this has appeal.

It is obvious that this was a motivating factor inherent in the changes incorporated in the recently enacted Housing Act. The record spurt of activity in the past three months has been nothing short of phenomenal and seems to coincide with a general upturn in business. However, this question arises: Are the long-run consequences of these expedients of any real concern to those planners and legislators who create them? Where is this form of mania going to end? Will the housing industry eventually reach the same status as that in which U. S. agriculture now finds itself and be confronted with the need for subsidizing housing surpluses at 100% of parity to maintain prices? The idea is not as far-fetched as one might think. It is interesting to dwell on the means by which the government plans to extricate itself from this dilemma for which they alone are responsible. Successively more liberal credit terms will invariably result in an oversupply of housing while at the same time creating a price inflation which not only removes housing from the reach of the only mass buyers in the market— the lower middle and middle-class—but also threatens the investments of the legitimate equity holders in housing.

And — all the while — as the market moves inexorably to its housing destruction, the political proponents of this thinking may entice a few votes from that segment of the voting populace which is unaware of the consequences. In order to sustain votes, it would not be surprising to solve this problem by direct or indirect subsidy payments. A situation may result in which there can be no turning back, much like that which confronted Churchill's Conservative Party when it returned to power after many years of Socialistic rule. They found it politically impossible in many instances to reverse the deeply intrenched legislative acts of the Socialists.

Our economy and the mechanisms of government have been geared to an annual housing production in excess of a million units. This perhaps unwanted inheritance cannot now be disavowed. The economic consequences themselves would be trying but the political consequences of disavowal would be disastrous. A hesitant step in that direction was taken by attempting to raise interest rates early in 1953 but the effort to mitigate further inflation by drying up the demand for credit accommodation raised such a storm of protest that the policy was abandoned in June 1953 and easy money was reinstated with its culmination in the Housing Act of 1954.

It is becoming increasingly apparent that forecasts of housing production must be reflections of those policies which are necessary to sustain our political economy. Wtih minor, provincial exceptions, the housing industry does not seem destined to operate as a relatively free segment of a free economy sensitive to traditional demand-supply factors. Governmental intervention has artificialized the demand for and supply of housing, making these factors dependent on credit terms, and thus indirectly influencing the competitive processes of price determination.

The form and substance of housing provide some significant discrepancies. The form is easily apparent, standing out in bold outline—the continuing increase of governmental regulation and control of the housing industry through multitudinous government agencies. The substance is far more shadowy, requiring careful and penetrating insight. What emerges is a pattern of the gradual, but inevitable, socialization of housing while at the same time maintaining, with paper equities, the fictional form of private ownership.

The government's resolve to put every family into a dream cottage will necessitate the projection of the dream cottage into the indefinite future, by demand of the electorate. The people now unconsciously demand favors in pri-

Continued on page 38

Continued from page 37

Impact of Government's Role In the Housing Market

vate, as well as public housing. Unless something is done soon to reverse the trend, we will ultimately witness the absolute absurdity of 80% of families owning their own homes, many tenuously, with the chaos of oversupply solved by government price supports, or subsidies, or cancellation of contractual obligations, or further inflation, where real income will decrease and only nominal dollar incomes will rise. Each of these alternatives bodes ill for the investor, the home owner, and the lender.

Criticism, no matter how constructively intended, should logically beget the presentation of alternatives. Is there any real solution for the private lender, acting individually or in concert? It would appear that the only chance of breaking the tightening iron vise of governmental control is to actively seek and work for the transfer of the fundamentals of mortgage insurance to private stock ownership and away from the influence of politics. This is not a new idea. It was proposed and discussed before the creation of FHA. It has been on the shelf too long.

This proposed transfer of ownership would return a brilliant and useful concept to the standards and morals of business prudence and to the calculation of economic (rather than political) risk and away from the temptations of self-interest. There are seemingly insurmountable obstacles. The first is the legal difficulties implicit in state recognition of a privately operated mortgage insurance agency which would supersede state banking and savings laws. Another is the outright reluctance of government to surrender a "good thing." After all, FHA and VA as a credit device can be used as a narcotic to relieve, or as an antibiotic to cure the prospect of a serious business set-back, a set-back partially of the government's own making. The government's concern over this eventuality may be more political than economic.

The next obvious step is for the lender to open his doors to a greater extent to FHA and VA instrusion. It will be difficult in the long run for the lender to invest his constantly growing inflated dollars in conventional loans of sufficient attraction. Greater participation in government-backed paper seems inevitable. With amortization flooding in, with rising savings, with a general inflationary tendency creating more paper money, the lender will have a continually more difficult problem to find sound conventional mortgage investments which meet his standards.

What type of loan should be insured through FHA? Any loan which in the lender's viewpoint has basic merit but where the loan/value ratio, or the credit standing of the mortgagor, does not meet exacting institutional requirements should logically be insured against loss. FHA can be used, as sparingly as the supply of funds dictates, to relieve the pressure of excess funds, and to maintain mortgage investments at a reasonable ratio to deposits. Concurrently, the prospects of the transfer of FHA to private hands might be further explored.

The last possible alternative would be for every institutional lender to participate voluntarily in a program to limit government-backed loans to a certain percentage of their portfolios, and to insist on adequate down payments on 4½% VA loans. It is conceded that this is directly contrary to the purposes of the Home Mortgage Voluntary Credit Program. Nevertheless, not only will this abate the inflationary pressure engendered by easy credit, it will also tend to reduce the supply of housing to the point where it does not endanger the home owner's existing investments. This places a burden on all lenders. It requires a lot of discipline to resist the temptation to make risk free loans. Voluntary restrictions are questionable public relations.

Recall the public outcry when the supply of 4% VA mortgages dried up in 1951 and 1952. Any intimation that all lenders were restricting their participation in government-backed loans might provoke public outbursts against the lenders as lacking a sense of social responsibility. A campaign of this type must be done discreetly lest the public mistake their motives. It is an oddity that a lender's own depositors are among the first to consider him grasping if mortgage funds on easy terms are withheld from the depositors on reasonable grounds. Thus, at a moment when we already have 46,000,000 housing units for our 162,000,000 people, the lender may be castigated for his caution.

The lender's basic policy of caution arises from many factors. Certainly, as a fiduciary for the savings of his depositors, he owes them that. Then, the lender realizes that construction costs have risen much higher than other commodity costs in the last half-century, resulting in less housing value for the dollar. The records support this viewpoint:

(1) From 1900-1920, cost-of-living doubled while construction costs tripled.

(2) From 1920-1950, cost-of-living increased 60% while construction costs have increased 120%.

Thus, it is obvious that construction costs have far outstripped commodity costs in general. The fundamental reasons are that material costs (such as lumber) have risen higher than general costs; that technological improvements in basic construction have lagged behind other industries, and last, that labor is notoriously unproductive, partially because of technological reasons and partially because of union policy. It seems obvious that construction costs will continue to rise higher than costs in general.

At first thought, this may seem a favorable factor for the lender—continually rising costs may bail him out of poor loans. But price rises usually create commodities of lower quality by way of compensation. Housing today, despite the fancy kitchens and baths, represents a significant net decline in real value. Thus high housing costs have a spurious ingredient, and, if a general real estate recession ensues, housing values will decline a lot faster and lower than other commodity prices and at a much more accelerated rate than construction costs.

These are all sobering thoughts. None of us like to be calamity howlers. If restraint is exercised, the housing industry can remain on a sound basis. The restraint involves not only the lender, in adjusting loan-value ratios, interest, and amortization; but also the builder, in adjusting his production to demand, and the government in using credit as an economic rather than a political device.

The answer does not lie in a return to the lending practices of the '20's; to encourage excessive down payments is to invite the evils of the second mortgage and, in the end, to invite defaults. Cash investments from 10% to 25% depending on price range are normally sufficient, provided the self-liquidation period is not excessive. Loan-value ratios should be flexible, depending on the period in the real estate cycle.

Then too, nothing but the highest motives may be ascribed to many of the government housing officials or legislators. They are conscientiously trying to do a good job. Others are undoubtedly planning further encroachments and infiltrations into the lenders' domain. Few realize what their activities are provoking; others in the government are manipulating the strings.

In review, it is hard to find any favorable factors for the economy or for the lender. The following conclusions seem self-evident:

(1) The trend is to make housing a social responsibility of government. It is promoted under the fiction of paternalism but is for political rather than economic, sociological or humanitarian needs; such is the heritage of politics.

(2) Credit has been selected as the mode of control; government ownership has been rejected as obsolete in this modern and devious form of socialization.

(3) Housing has become the handmaiden of the Gross National Product. At the expense of housing-style, size, and quality, the housing industry has been selected as a means of sustaining a cheap dollar prosperity.

(4) Housing is only one phase of the promulgation of the welfare state; the emphasis is on the welfare of the individual rather than traditional reliance on individual initiative. It has been decreed that the higher income taxpayer shall pay for benefits to which he is not entitled.

(5) The lenders' independence is seriously threatened; the government has pre-empted not only the risks but the administration of the loans, and relegated the lender to the sidelines.

(6) The tightening vise of governmental control threatens the deposits of the investor; his savings may be dissipated through cheap dollars and cheap interest. His status is similar to that of the pensioner and annuitant whose savings buy constantly less goods. His recourse is withdrawal of deposit savings for inflation-hedged investments.

(7) Increasing government control of the entire fiscal and monetary structure, plus the economic stabilizers now entrenched in our economy, could prevent a depression of the catastrophic proportions of the 1930's; yet only a relatively slight general downtrend, plus a concurrent oversupply, could wipe out many paper-thin equities, particularly if it arose in the more immediate future.

(8) The eventual housing picture is for all housing to be underwritten and sponsored by government; by mortgage insurance or guarantees, by subsidy payment, or by public housing and by rent control in urban areas.

(9) Although the present Administration has done little to alter the trend (thus removing the issues from partisan politics), now would be the last possible opportunity to halt the onward rush of socialism by putting the control of credit in private hands.

Continued from page 14

States Collect More Taxes in 1954

the Federal level, least for local governments.

There are several reasons lying behind these forecasts. These reasons will be stated concisely with the reminder that numerous qualifications will have to be omitted.

The first forecast is based on the belief that we the people shall continue our demand upon governments for more and more services. Such services will range from Federal protection against external enemies and internal depressions to local governmental comforts such as public parks and band concerts.

None of us will desire the whole range of functions. Indeed it is possible that substantial numbers of citizens will oppose each extension of the government. But each of us is directly or indirectly a member of a pressure group (lobby) which tends to identify the welfare of its members with the progress of the city, state, and nation. Tariff protection for certain businesses and labor unions, price maintenance laws for retailers, county agents and crop subsidies for farmers, more pay for school teachers and policemen. Can a legislator resist the pressure and at times the reasonableness of argument of such organizations or associations—and keep his political office?

These pressure groups are necessary to government. The individual today is too dependent upon others economically, politically, socially to be a lone wolf. But by the time the law-making groups on each level of government pass each lobby-supported bill, the new expenditure total is larger than before and additional taxes must be raised if the pitfall of debt is to be avoided.

Another prediction was that the (adjusted) rate of growth of taxes would be greater for the Federal government than the states, and the states than the local governments. The higher the level of government the greater the diversity of available tax bases, and the power to collect revenue. To be sure there are apt to be constitutional limitations on the exercise of taxing power, but constitutions can be amended.

Closely tied to this same prediction is the observable tendency toward a centralization on higher governmental levels of political and social controls. The period of local governments' dominance in an individual's life is pretty much a thing of the past, and even the states in certain spheres are giving way to Washington. With greater responsibilities go greater expenditures—thus the emphasis on Federal tax trends.

Can anything be done to break this trend of increasing tax bills? The answer is No. Probably the best prospect is to slow down the rate of growth, though this procedure is not easy. Fundamentally the procedure is to have an active and sustained participation by taxpayers in government. This requires time, work, money, and group organizations, e.g., taxpayer or civic associations. There are a number of reasons for this emphasis upon such protective associations but the basic one is the fact that governments usually are or can be monopolistic in their functions, and monopolies seldom are self-regulated. The result can be the growth of bureaucracies indifferent to public demands and burdens.

Is irresponsible bureaucracy a necessary result of the monopolistic position of government? The answer is conditional. If the units of local government are small, a town of a few thousand inhabitants for instance, the chief executive and other governmental employees are known personally to many individual residents who can express themselves directly if local services are not satisfactory. And in turn the officials can directly seek the aid of the taxpayers for necessary civic projects. Also local officials usually are political amateurs in office on a part- or full-time basis for a few years with intentions of resuming their regular occupations. Thus they are apt to understand the points of view of their locality. Under such conditions there is less need for taxpayers' associations.

But it is a different situation when cities and counties have many thousands of inhabitants and when governmental problems move to the state and Federal levels. Public officials no longer are in daily touch with taxpayers; a permanent officialdom becomes established, headed by professional politicians who give full-time to their "profession." Such conditions are necessary because government operations have become big business. The budgets of cities of 50,000-100.000 persons will be from $3-10 million a year. (New York's is almost $2 billion.) State budgets run from $35 million to a billion and a half. The Federal government's is $65 billion.

Now the dilemma: large-scale governmental operations need trained officials and personnel adequately paid and protected in tenure under civil service or similar merit systems. Yet such conditions drive a wedge between the tax-paying electorate and public officials who can, thus, become irresponsible.

What is the answer? It must lie along the line of delegation but not abdication of authority by the taxpayers, and the individual taxpayer must group with others because in a large community the power of the average individual is negligible. As mentioned before such alertness will make the tired businessman more tired and the busy housewife busier because taxpayers' associations require work. But the alternative is the growth both of impersonal government and of taxation out of proportion to services rendered.

Eaton & Co. Offers Ark. Nat. Resources Common Stock at $1

Eaton & Co. Inc., New York City, are offering 299,500 shares of common stock (par one cent) of Arkansas Natural Resources Corp. at $1 per share as a speculation.

It is intended to use the net proceeds to pay for drilling of test hole and coring, and any remainder for working capital and other general corporate purposes.

Arkansas Natural Resources Corp. was incorporated in Delaware on May 14, 1954 for the purpose of exploring for magnetite iron ore, uranium, mica and other minerals. It owns leases on more than 13,500 acres located on the Magnetic Anomaly at Rison, Ark.

Giving effect to the present financing, there would be outstanding 1,049,500 shares of common stock.

Westheimer Adds

CINCINNATI, Ohio — Paul M. Rush has become affiliated with Westheimer & Company, 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Nov. 28	§79.3	*79.3	74.5	86.8
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 28	§1,890,000	*1,892,000	1,776,000	1,956,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 12	6,220,150	6,191,350	6,195,950	6,219,250
Crude runs to stills—daily average (bbls.)	Nov. 12	¶6,883,000	6,941,000	6,765,000	6,951,000
Gasoline output (bbls.)	Nov. 12	24,161,000	23,069,000	23,095,000	23,945,000
Kerosene output (bbls.)	Nov. 12	2,197,000	2,395,000	2,278,000	2,220,000
Distillate fuel oil output (bbls.)	Nov. 12	11,409,000	10,330,000	10,163,000	9,955,000
Residual fuel oil output (bbls.)	Nov. 12	7,850,000	7,839,000	7,531,000	8,258,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 12	147,896,000	149,138,000	150,676,000	142,836,000
Kerosene (bbls.) at	Nov. 12	36,775,000	38,178,000	38,796,000	36,236,000
Distillate fuel oil (bbls.) at	Nov. 12	136,159,000	137,198,000	133,253,000	134,532,000
Residual fuel oil (bbls.) at	Nov. 12	56,068,000	56,469,000	56,184,000	51,194,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 13	708,757	695,097	721,402	727,056
Revenue freight received from connections (no. of cars)	Nov. 13	616,777	611,756	596,381	626,317
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 18	$301,779,000	$371,482,000	$323,236,000	$244,704,000
Private construction	Nov. 18	182,534,000	161,329,000	175,680,000	103,123,000
Public construction	Nov. 18	119,245,000	210,153,000	147,556,000	141,581,000
State and municipal	Nov. 18	78,547,000	152,232,000	95,998,000	107,074,000
Federal	Nov. 18	40,698,000	57,921,000	51,558,000	34,507,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 13	8,720,000	*8,510,000	8,290,000	8,829,000
Pennsylvania anthracite (tons)	Nov. 13	624,000	521,000	561,000	615,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 13	130	*127	119	113
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 20	9,317,000	9,197,000	9,033,000	8,416,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Nov. 18	208	227	229	223
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 16	4.797c	4.798c	4.798c	4.632c
Pig iron (per gross ton)	Nov. 16	$56.59	$56.59	$56.59	$56.59
Scrap steel (per gross ton)	Nov. 16	$33.83	$34.00	$33.00	$35.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 17	29.700c	29.700c	29.700c	29.575c
Export refinery at	Nov. 17	31.700c	30.800c	30.500c	28.450c
Straits tin (New York) at	Nov. 17	92.250c	89.875c	93.000c	83.000c
Lead (New York) at	Nov. 17	15.000c	15.000c	15.000c	13.500c
Lead (St. Louis) at	Nov. 17	14.800c	14.800c	14.800c	13.300c
Zinc (East St. Louis) at	Nov. 17	11.500c	11.500c	11.500c	10.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 23	99.31	99.25	99.48	94.89
Average corporate	Nov. 23	110.88	110.70	110.88	106.04
Aaa	Nov. 23	115.43	115.24	115.63	110.88
Aa	Nov. 23	112.75	112.37	112.37	107.98
A	Nov. 23	110.70	110.52	110.70	105.86
Baa	Nov. 23	105.00	105.00	105.00	100.00
Railroad Group	Nov. 23	109.24	108.88	109.06	103.97
Public Utilities Group	Nov. 23	111.25	111.07	111.25	106.21
Industrials Group	Nov. 23	112.19	112.19	112.19	108.16
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 23	2.55	2.55	2.54	2.86
Average corporate	Nov. 23	3.12	3.13	3.12	3.39
Aaa	Nov. 23	2.88	2.89	2.87	3.12
Aa	Nov. 23	3.02	3.04	3.04	3.28
A	Nov. 23	3.13	3.14	3.13	3.40
Baa	Nov. 23	3.45	3.45	3.45	3.75
Railroad Group	Nov. 23	3.21	3.23	3.22	3.51
Public Utilities Group	Nov. 23	3.10	3.11	3.10	3.38
Industrials Group	Nov. 23	3.05	3.05	3.05	3.27
MOODY'S COMMODITY INDEX	Nov. 23	409.8	411.6	405.0	397.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 13	247,513	317,710	241,538	227,846
Production (tons)	Nov. 13	258,396	259,692	252,442	256,655
Percentage of activity	Nov. 13	94	95	93	95
Unfilled orders (tons) at end of period	Nov. 13	433,268	447,385	429,295	480,720
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Nov. 19	106.48	106.17	106.23	106.16
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)†—					
Number of shares	Nov. 6	977,420	950,206	1,112,144	639,953
Dollar value	Nov. 6	$47,336,781	$44,380,898	$53,905,208	$27,813,028
Odd-lot purchases by dealers (customers' sales)—					
Number of shares—Total sales	Nov. 6	918,562	964,419	1,077,482	618,214
Customers' short sales	Nov. 6	10,158	6,934	7,808	6,075
Customers' other sales	Nov. 6	908,404	957,485	1,069,674	612,139
Dollar value	Nov. 6	$41,411,831	$41,946,630	$48,536,929	$23,400,649
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 6	255,970	353,790	291,700	192,500
Short sales	Nov. 6	------	------	------	------
Other sales	Nov. 6	255,970	353,790	291,700	192,500
Round-lot purchases by dealers—					
Number of shares	Nov. 6	361,530	286,220	330,700	230,400
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Oct. 30	413,370	434,770	401,910	317,530
Other sales	Oct. 30	10,460,430	10,370,020	9,747,070	6,696,720
Total sales	Oct. 30	10,873,800	10,804,790	10,148,980	7,014,250
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Oct. 30	1,181,360	1,165,420	1,109,270	744,230
Short sales	Oct. 30	207,320	232,110	179,830	135,440
Other sales	Oct. 30	990,600	1,000,860	926,270	552,930
Total sales	Oct. 30	1,197,920	1,232,970	1,106,100	688,370
Other transactions initiated on the floor—					
Total purchases	Oct. 30	343,010	343,680	291,660	221,210
Short sales	Oct. 30	31,400	20,200	25,470	20,400
Other sales	Oct. 30	323,690	310,330	302,460	209,050
Total sales	Oct. 30	355,090	330,530	327,930	229,450
Other transactions initiated off the floor—					
Total purchases	Oct. 30	484,020	472,130	347,880	286,500
Short sales	Oct. 30	53,970	67,050	64,300	29,550
Other sales	Oct. 30	424,355	417,937	374,180	280,315
Total sales	Oct. 30	478,325	484,987	438,480	309,865
Total round-lot transactions for account of members—					
Total purchases	Oct. 30	2,008,390	1,981,230	1,748,810	1,251,940
Short sales	Oct. 30	292,690	319,360	269,600	185,390
Other sales	Oct. 30	1,738,645	1,729,127	1,602,910	1,042,295
Total sales	Oct. 30	2,031,335	2,048,487	1,872,510	1,227,685
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Nov. 16	109.7	109.7	109.4	109.8
Farm products	Nov. 16	93.0	92.2	91.4	93.2
Processed foods	Nov. 16	103.8	*104.3	103.3	103.9
Meats	Nov. 16	85.9	*87.4	85.0	84.5
All commodities other than farm and foods	Nov. 16	114.5	114.5	114.6	114.6

*Revised figure. ¶Includes 635,000 barrels of foreign crude runs. §Based on new annual capacity of 124,330,410 tons as of Jan. 1, 1954, as against the Jan. 1, 1953 basis of 117,547,470 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK — As of October 31:			
Imports	$207,286,000	$207,042,000	$226,662,000
Exports	148,286,000	138,803,000	144,720,000
Domestic shipments	11,575,000	11,273,000	10,052,000
Domestic warehouse credits	192,959,000	118,677,000	45,477,000
Dollar exchange	71,829,000	85,239,000	55,708,000
Based on goods stored and shipped between foreign countries	55,317,000	47,712,000	34,103,000
Total	$687,252,000	$608,746,000	$516,722,000
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of October:			
Manufacturing number	189	153	188
Wholesale number	91	113	84
Retail number	414	406	404
Construction number	109	88	89
Commercial service number	68	59	75
Total number	871	819	840
Manufacturing liabilities	$7,547,000	$11,262,000	$14,956,000
Wholesale liabilities	2,923,000	5,366,000	4,235,000
Retail liabilities	11,845,000	11,879,000	9,671,000
Construction liabilities	4,733,000	5,584,000	4,366,000
Commercial service liabilities	1,952,000	2,290,000	3,848,000
Total liabilities	$29,000,000	$36,381,000	$37,076,000
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of Oct. 31 (000's omitted)	$762,000	$803,000	$535,000
CONSUMER PRICE INDEX — 1947-49 = 100 — Month of September:			
All items	114.7	115.0	115.2
Food	112.4	113.9	113.8
Food at home	111.6	113.3	113.5
Cereals and bakery products	122.6	122.3	120.3
Meats, poultry and fish	106.7	107.6	113.5
Dairy products	105.8	105.1	109.6
Fruits and vegetables	110.5	114.7	106.6
Other foods at home	116.0	119.6	116.7
Housing	119.5	119.2	118.4
Rent	128.8	128.6	126.0
Gas and electricity	107.9	107.8	106.9
Solid fuels and fuel oil	122.4	121.9	124.6
Housefurnishings	106.0	105.4	108.1
Household operation	117.4	117.3	116.0
Apparel	104.3	103.7	105.3
Men's and boys'	106.4	106.4	107.5
Women's and girls'	99.0	97.7	100.5
Footwear	116.5	116.9	115.3
Other apparel	90.9	90.7	92.5
Transportation	126.4	126.6	130.7
Medical care	125.7	125.5	122.6
Personal care	113.5	113.4	112.9
Reading and recreation	106.5	106.6	107.8
Other goods and services	120.1	120.2	118.5
COTTON GINNING (DEPT. OF COMMERCE)—To Nov. 1 (running bales)	9,670,474	------	10,768,648
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—Estimates as of Nov. 1: Production 500-lb gross bales	13,206,000	12,511,000	16,465,000
MONEY IN CIRCULATION—TREASURY DEPT—As of Sept. 30 (000's omitted)	$29,981,000	$29,929,000	$30,248,000
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of Oct.:			
Industrials (125)	4.43	4.31	5.60
Railroads (25)	6.02	6.12	6.93
Utilities (not incl. Amer. Tel. & Tel.) (24)	4.82	4.64	5.36
Banks (15)	4.50	4.39	4.45
Insurance (10)	3.00	2.77	3.35
Average (200)	4.57	4.46	5.59
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK LTD.—Month of Oct.	£18,426,000	£43,095,000	£16,795,000
NEW YORK STOCK EXCHANGE—As of Oct. 31 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$2,130,872	$2,081,277	$1,640,883
Credit extended to customers	35,567	33,742	30,980
Cash on hand and in banks in U. S.	329,750	323,757	293,403
Total of customers' free credit balances	923,796	924,179	672,031
Market value of listed shares	148,162,510	150,658,921	115,428,148
Market value of listed bonds	109,395,338	109,349,656	94,571,815
Member borrowings on U. S. Govt. issues	156,655	168,476	128,008
Member borrowings on other collateral	1,474,690	1,437,260	1,120,963
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-14 = 100—As of Sept. 15:			
Unadjusted—			
All farm products	2.46	2.51	2.55
Crops	2.47	2.50	2.32
Food grain	2.33	2.28	2.13
Feed grain and hay	2.10	2.07	2.05
Tobacco	4.44	4.30	4.30
Cotton	2.92	2.88	2.78
Fruit	2.48	2.35	1.85
Truck crops	1.70	2.23	2.07
Oil-bearing crops	2.76	2.94	2.63
Livestock and products	2.45	2.51	2.76
Meat animals	2.77	2.87	3.05
Dairy products	2.53	2.45	2.05
Poultry eggs	1.62	1.78	2.29
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of October:			
Net sales	------	$9,981,150	------
Net purchases	$21,050,400	------	$16,970,000
U. S. GOVT. STATUTORY DEBT LIMITATION —As of October 31 (000's omitted):			
Total face amount that may be outstanding at any time	$281,000,000	$281,000,000	$275,000,000
Outstanding—			
Total gross public debt	278,752,052	274,809,874	273,386,221
Guaranteed obligations not owned by the Treasury	33,615	28,530	65,938
Total gross public debt and guaranteed obligations	$278,785,607	$274,838,405	$273,452,160
Deduct—other outstanding public debt obligations not subject to debt limitation	531,100	533,790	577,108
Grand total outstanding	$278,254,566	$274,304,614	$272,875,011
Balance face amount of obligations, issuable under above authority	2,745,433	6,695,385	2,124,988

Continued from page 16

New Opportunities for a Liberal Foreign Trade Policy

facilities, as between nations, are no longer tolerable. The "under-developed" countries want to be and should be something more than sources of raw materials for the "developed" countries.

The underlying economic goal of all of this effort has been the creation of the widest possible area of non-discriminatory trade relationships and the widest possible return to freely convertible currencies. There has been considerable progress. But I would hope that the pace of progress could now be accelerated. Even without trying to read too much long-term significance into short-term movements, there have been encouraging signs of the development of the kind of a trading world we have sought to achieve. And recent international political developments seem to me to have given us a new frame of reference.

Perhaps, first on the list of encouraging signs is the fact that economic readjustment in this country, which began last year, has not degenerated into a depression and has not had the serious effects on our international trade and on economic conditions abroad, which many feared and many expected. For too long we were considered to be a race of economic barbarians, given to wild and wide swings in economic activity which, because of our weight, and height and reach, endangered every other trading nation. The recession in this country which began in the summer of 1953 has been a moderate one, and already it seems to have lost its force rather than feeding on itself. We may now be regarded as a civilized economy.

Growing Economic Strength Abroad

Related to but also separate from this heartening display of stability on our part, has been the growing economic strength of many foreign countries. In the United Kingdom and Western Europe, in particular, economic progress has continued while we were in recession, the first time this has happened in a great many years. Production has increased, internal fiscal and monetary conditions have improved, controls including some controls on dollar expenditures have been relaxed, and a better competitive position has been attained. And despite a rise of commercial exports of the United States, and some decline in our imports, with a resultant increase in our surplus of exports, the gold and dollar reserves of foreign countries have shown a substantial gain — from mid-1953 to mid-1954 approximately $2.3 billion or 10%. To be sure, United States payments for services and remittances, for military expenditures abroad, and for economic aid, contributed to this result. But without the general improvement in international economic conditions, and the greatly reduced dependence of the rest of the world on supplies from the United States over the last few years, this sharp increase in gold and dollar reserves could not have taken place.

It is highly significant, I believe, that this record has been made while discriminatory trade restrictions aimed against dollar imports were being relaxed in many countries, while international commodity markets were being reopened in the United Kingdom, and while greater freedom of dealing in various currencies was being permitted abroad. International trading has become more competitive, has been less shielded from the tests of free competition, than at any time since the end of World War II. And this testing of the economic strength of our trading partners, prior to formal and final steps of whatever character and degree into the supposedly chill waters of non-discriminatory trade and currency convertibility, reduces the risks of the final plunge and makes it that much more likely that the final plunge will eventually be taken.

It is important to emphasize this demonstration of the ability of trade and payments liberalization to go forward more or less hand in hand. We have always coupled non-discriminatory trade with currency convertibility in our prescription for international economic health. We have held, rightly I think, that currency convertibility with continued and widespread discrimination against dollar imports would be a largely sterile accomplishment, not only for us but for those who might attempt to pursue two such mismatched policies. A phony equilibrium, involving formal convertibility but achieved or maintained by quantitative controls, would be only a little more enduring than the present equilibrium of quantitative controls plus exchange controls.

While there are encouraging signs and portents, however, we can by no means conclude that all of the conditions precedent to freer trade and payments have been established. Thus far many countries, including our own, have made their contributions, each one largely in its own interest, but nevertheless contributing to the general forward movement. Yet I think there is some feeling among those of you who are interested in foreign trade and committed to a more liberal foreign economic policy that, after a magnificent start, we are now inclined to do less than our share.

Our Reluctance to Investing Abroad

Questions are raised on two main scores—our relative reluctance to invest abroad, and our halting approach to a more liberal foreign trade policy. The lesser problem of the two, in my opinion, is foreign investment. I say the lesser of the two, not because I think it is of little importance, but because I believe that questions relating to foreign investment are often based on a false assumption, and because I believe the problem has a lesser psychological impact than the problem of foreign trade policy.

The false assumption is that we are trying to recreate a past situation in which a good "creditor country" is a heavy exporter of capital to redress its balance of payments. This was a part of the combination of factors which made the mechanism of international trade and payments work comparatively well during the 19th century when the United Kingdom was the hub of world commerce and finance. It has less meaning and less force now when the United States occupies or shares that position, and when political stability around the world is more precarious. We have been described, and not wholly inaccurately, as the greatest "underdeveloped" country in the world. So long as this is so, and so long as this distinction is shared with our neighbor to the north, the competition of domestic plus Canadian investment is going to inhibit the growth of "foreign" investment. There are signs that the market for private foreign investment (I do not refer here to so-called direct investment), which has been largely frozen since the torrid twenties, is beginning to thaw a little. There is a trickle, and it should continue and grow, if the world climate gets warmer, but I would doubt that it will quickly become a torrent. And I would not want to see it forced by too much government intervention. There are undoubtedly some things which our government can and should do to promote private foreign investment. Perhaps the tax laws relating to such investment can be improved and perhaps some guarantees against special risks can be provided. But by and large, private foreign investment should be a matter of private risks and private rewards, with fair and equitable treatment at home and abroad the fundamental prerequisite.

Psychologically, what happens in the field of foreign investment has a lesser impact than what happens in the field of foreign trade, because the former is less in the public eye, because nobody seems to be hurt directly by its absence, and because in our thinking it is often considered to be a balancing factor after the trade returns are in.

Not nearly so much heat is generated by the failure of figures of foreign investment to come up to hopes or expectations, as is generated by trade decisions such as, for example, an increase in the tariff on dried figs or Swiss watches or the failure to award a generator contract to a low bidder from abroad. The latter incidents are commented on all over the trading world and interpreted as another sign of a return to stricter protectionism in this country.

No retaliatory moves are threatened because we don't export more capital, even though this is one of the factors behind discrimination against dollar imports.

And no domestic groups or individuals identify themselves loudly and effectively as being hurt by the failure of private funds to seek foreign investment opportunities. Apparently we can afford to get along with a gradual growth of private foreign investment, if progress is being made on the more explosive front of trade relations.

Studies of Our Foreign Trade Relations

Since the end of World War II there has been no lack of organized study of our foreign trade relations, under both private and government sponsorship. The Bell report, the Paley report, the report of the Randall Commission, and many others, have all gone over the ground, have all studied much the same facts and figures, and have mostly come up with the same general conclusions, pointing toward the desirability of framing trade policy so as to permit foreign exporters reasonably competitive access to most American markets. The fire and emphasis with which such recommendations have been made have diminished, perhaps, the closer the study group has been to Congressional attitudes, and to business and labor pressures, but whether the outcome has been a ringing affirmation of liberal trade policies, or an attempt to devise a program which would seem to have a chance of adoption, practically all of these studies have pointed in the same direction.

The net result so far has been some progress, including, more recently, holding the line against a revival of restrictionism, but now the need is to push forward with greater purpose. Now that we have pretty well accomplished the task of aiding in the reconstruction of the trading world, by governmental gifts and loans of billions of dollars, we must overcome the difficulties of projecting a trade policy which will help to sustain what we have so greatly helped to create. I don't believe that our national penchant for "giveaway programs" extends so far as to make this our only solution of international trade problems. Surely we do not prefer to give away to foreign countries the products of our farms and factories and mines, rather than trade with them on some basis of equality? There must be some deeper force at work. I suspect that it is easier to get this great warm-hearted nation to adopt a program in which the burden is placed on all of us—as it is in the case of a "giveaway program" — than to adopt policies of trade liberalization which might, at least in the beginning, hurt some particular groups of our citizens. And the fact that with few exceptions, our national legislators are elected and re-elected on the basis, largely, of local issues rather than national or international issues, contributes to this seeming illogical result. Yet we all are aware that the "giveaway" policy is no longer generally acceptable either to those who give or to those who receive.

If we are to move ahead, new measures must now be devised and adopted. If we cannot or will not adopt policies which may temporarily hurt the few but are for the benefit of the many, had we not better give more attention than has been given to suggestions which would require the whole economy, and the whole nation, to help bear the economic pressures which might be placed on some localities, on some industries, on some groups of individuals by a more liberal foreign trade policy?

Of one thing I am pretty sure. We cannot afford to go back and we cannot afford to stand still. The twin goals of currency convertibility and non-discriminatory trade relations have been before the various trading communities for a long time. These goals are still believed to be attainable and they still work their magic. But who can say how much longer, and in a more competitive world, the traders of other nations and the traders of this nation will submit to discrimination against their products without seeking more restrictive retaliatory action? Who can say how much longer so much of the trade of the world can be carried on with inconvertible currencies, without those trade areas which revolve around inconvertible currencies tending to fall apart? And, therefore, who can say how much longer we can expect to see progress toward a world of freer international trade and payments if these goals continue to elude us? The alternative of a United States which might be trying to rebuild barriers to imports, and of other principal trading nations of the world trying to build a permanent non-dollar bloc, is not a pretty one, but not an impossible one in the short run. And in the short run we can greatly jeopardize our chances for the long run.

As I said in a statement which your committee issued, in calling this meeting:

"Freedom to trade and freedom to spend the earnings of trade are measures of progress in goodwill and integrity. If we and the other nations of the world reject this approach, we may well be setting a course toward insularity in trade and toward inconvertibility of currencies which it will be most difficult to alter for many years to come."

We cannot let this happen. It is time to tackle our problems of international trade and finance with the same indefatigable, patient, high level attention that has been given to our international political and military problems, and to our domestic economic program. In the present position of the United States in the world, these things are intertwined, and if we neglect one we imperil the others. It is time for a real effort on our part to make international trade something more than a stepchild of domestic economic policy, and international finance something more than a stepchild of domestic financial policy.

I hope, therefore, that your convention will address itself to the problems of foreign trade which it has before it, with a new fervor. In the light of recent historic accomplishments in the field of international political relations, and in the light of recent national successes in dealing with domestic economic readjustment, the impediments to a more liberal and a more stable foreign trade policy should look less formidable than they have in the past. The way is open to you to lead us in the path which we should follow.

Kansas City Southern 3¼% Bonds Sold

The First Boston Corp. and Halsey, Stuart & Co. Inc. and associates on Nov. 19 publicly offered $50,000,000 of Kansas City Southern Ry. Co. first mortgage 30-year 3¼% bonds, series C, due Dec. 1, 1984, at 101.93%, to yield 3.15%. Subscription books were closed the same day.

The new series C bonds will be redeemable at regular redemption prices ranging from 105⅛% to par, and for the sinking fund at prices receding from 102% to par, plus accrued interest in each case.

Net proceeds from the financing, together with other funds of the company, will be applied to the redemption of all of its outstanding first mortgage 30-year 4% bonds, series A, due Oct. 1, 1975, and its first mortgage 20-year 3⅝% bonds, series B, due June 1, 1968, aggregating $51,043,000 in principal amount.

The company owns and operates 788.91 miles of main line between Kansas City, Mo., and Port Arthur, Texas, and operates a total of 891.47 miles of line. It is the shortest route between Kansas City and the Gulf. At Shreveport, La., it connects with its wholly owned subsidiary, the Louisiana & Arkansas Ry. Co., which provides a direct route to New Orleans, La., on the south, and to Dallas, Texas, on the west, and adds 752.32 miles of operated mileage to the system. Operating revenues of the Kansas City Southern System are derived primarily from the movement of freight. The ratio of freight revenue to gross revenue has been approximately 90% for each of the last five years.

For the eight months ended Aug. 31, 1954, consolidated railway operating revenues of the company and its railroad subsidiaries were reported at $44,783,486 and consolidated net income at $6,921,454. For the year 1953, railway operating revenues aggregated $78,683,469 and net income was $12,177,881.

With Investors Planning

(Special to The Financial Chronicle)

BOSTON, Mass. — Benjamin Gerstein is now with Investors Planning Corporation of New England, Inc., 68 Devonshire St.

Barger & Karnes Opens

LEVITTOWN, N. Y. — Robert V. Barger and Charles M. Karnes are conducting an investment business from offices at 20 Trapper Lane under the firm name of Barger and Karnes.

Blaine Adds to Staff

(Special to The Financial Chronicle)

ASHTABULA, Ohio — Russell L. Pletcher has been added to the staff of Perry T. Blaine & Co., 4519 Main Avenue.

With Seasongood & Mayer

(Special to The Financial Chronicle)

CINCINNATI, Ohio—Edgar J. Mack, Jr., is now with Seasongood & Mayer, Ingalls Building.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Admiralty Alaska Gold Mining Co.
Nov. 12 (letter of notification) 600,000 shares of common stock (par $1). **Price**—At market (estimated at 50 cents per share). **Proceeds**—For mining expenses. **Address**—Box 529, Juneau, Alaska. **Underwriter**—None.

★ Ajax Uranium Corp., Cheyenne, Wyo.
Nov. 17 (letter of notification) 2,740,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Offices**—400 Boyd Bldg., Cheyenne, Wyo., and 1154 Bannock St., Denver, Colo. **Underwriter**—None.

• Alaska Telephone Corp. (12/15)
Nov. 9 (letter of notification) $158,000 of 6% 10-year convertible debentures, series D, due Dec. 1, 1964. **Price**—At $70 per $100 debenture. **Proceeds**—For payment of indebtedness, conversion to dial system, increased facilities, and working capital. **Office**—Alaska Trade Bldg., Seattle 1, Wash. **Underwriter**—Tellier & Co., Jersey City, N. J.

★ Allied-Manchester Corp. (Mass.)
Nov. 17 (letter of notification) 2,999 shares of convertible class A common stock. **Price**—At par ($100 per share). **Proceeds**—For loans and working capital. **Underwriter**—Allied Research & Service Corp., 50 Congress St., Boston, Mass.

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 Mutual Fund, Inc., Los Angeles, Calif.
Nov. 22 filed 100,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

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.

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.

Arrowhead & Puritas Waters, Inc. (11/29)
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. **Office**—Los Angeles, Calif. **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. **Offering**—Effective Nov. 17.

★ Atriminas, Inc., Reno, Nev.
Nov. 19 (letter of notification) 3,300 shares of common stock (par 25 cents) and 3,300 shares of preferred stock (par 75 cents) to be offered in units of one share of each class of stock. **Price**—$4 per unit. **Proceeds**—For exploration and development costs. **Office**—206 N. Virginia St., Reno, Nev. **Underwriter**—None.

★ Australia (Commonwealth of) (12/8)
Nov. 18 filed $25,000,000 of 15-year bonds due Dec. 1, 1969. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to redeem on Jan. 15, 1955, $29,631,000 of External Loan of 1925 30-year 5% gold bonds due July 15, 1955 at 100% and accrued interest. **Underwriter**—Morgan Stanley & Co., New York.

Automatic Remote Systems, Inc., Baltimore
Aug. 4 filed 620,000 shares of common stock (par 50 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
Oct. 13 filed 285,005 shares of common stock (par $1) being offered for subscription by common stockholders of record Oct. 29 at the rate of one new share for each seven shares held (with an oversubscription privilege); rights expire on Dec. 1. **Price**—$5 per share. **Proceeds**—To exercise an option 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.

• Bank Building & Equip. Corp. of America (11/30)
Nov. 12 (letter of notification) 22,800 shares of common stock (par $2). **Price**—$13 per share. **Proceeds**—To three selling stockholders. **Office**—906 Sidney St., St. Louis, Mo. **Underwriter**—Scherck, Richter Co., same city.

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.

★ Bell Aircraft Corp. (12/15)
Nov. 24 filed 246,119 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To Equity Corp., the selling stockholder. **Underwriter**—Probably Eastman, Dillon & Co., New York.

★ Bell & Gossett Co., Morton Grove, Ill. (12/14)
Nov. 23 filed 300,000 shares of common stock (par $2). **Price**—To be supplied by amendment. **Proceeds**—To retire long-term indebtedness to insurance companies and for general corporate purposes. **Business**—Manufactures and sells various types of heat transfer equipment. **Underwriter**—Blair & Co. Incorporated, 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.

Continued on page 42

NEW ISSUE CALENDAR

November 26 (Friday)
Reinforced Plastics Corp.____Debentures & Common
(John R. Boland & Co., Inc.) $295,295

November 29 (Monday)
Arrowhead & Puritas Waters, Inc.________Common
(Blyth & Co., Inc.) 275,000 shares
Mexican Gulf Sulphur Co.________________Common
(Van Alstyne, Noel & Co.) 200,000 shares
Pioneer Finance Co.____________________Preferred
(Watling, Lerchen & Co. and Mullaney, Wells & Co.) $500,000

November 30 (Tuesday)
Bank Building & Equipment Corp.________Common
(Scherck, Richter Co.) $296,400
Century Uranium Corp.__________________Common
(James Anthony Securities Corp.) $300,000
Consolidated Television & Radio Broadcasters, Inc. ____________________Common
(Reynolds & Co.) 160,000 shares
Interstate Power Co.___________________Preferred
(Bids 10:30 a.m. CST) $10,000,000
Paraderm Laboratories, Inc.____________Common
(Sheehan & Co.) $250,000
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
Seaboard Air Line R. R.__________Equip. Trust Ctfs.
(Bids noon EST) $5,010,000

December 1 (Wednesday)
Blue Mountain Uranium Mines, Inc.______Common
(Tellier & Co.) $300,000
Federal Paper Board Co., Inc.___________Common
(Goldman, Sachs & Co.) 200,000 shares
Laclede Gas Co.___________________________Bonds
(Bids 11 a.m. EST) $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
Mississippi Power & Light Co.__________Preferred
(Exchange offer—bids 11 a.m. EST) 44,476 shares
U. S. National Bank of Portland (Ore.)__Common
(Blyth & Co., Inc.) $2,400,000

December 6 (Monday)
Chicago, Milw., St. Paul & Pac. RR.____Equip. Trust Ctfs.
(Bids noon CST) $7,200,000
El Paso Natural Gas Co.________________Preferred
(White, Weld & Co.) 300,000 shares

December 7 (Tuesday)
Central Power & Light Co.______________Preferred
(Bids to be invited) $7,500,000
Illinois Telephone Co.__________________Preferred
(Dean Witter & Co.) $1,000,000
Long Island Lighting Co.___________________Bonds
(Bids 11 a.m. EST) $15,000,000

December 8 (Wednesday)
Australia (Commonwealth of)________________Bonds
(Morgan Stanley & Co.) $25,000,000
Monterey Oil Co.__________________________Common
(Lehman Brothers) 300,000 shares
Stancan Uranium Corp.___________________Common
(Gearhart & Otis, Inc. and Crerie & Co.) $2,625,000
Tennessee Gas Transmission Co._____________Bonds
(Stone & Webster Securities Corp.; White, Weld & Co.; and Halsey, Stuart & Co. Inc.) $125,000,000
Texas Pacific Ry.________________Equip. Trust Ctfs.
(Bids to be invited) $1,350,000

December 9 (Thursday)
Eastern Utilities Associates________________Bonds
(Bids 11 a.m. EST) $7,250,000
Missouri Pacific RR.____________Equip. Trust Ctfs.
(Bids to be invited) $4,575,000

December 13 (Monday)
Jarecki Corp. ____________________________Common
(Baker, Simonds & Co.) $2,250,000
Servomechanisms, Inc. ____________________Debentures
(Van Alstyne, Noel & Co.) $2,000,000

December 14 (Tuesday)
Bell & Gossett Co.________________________Common
(Blair & Co. Incorporated) 300,000 shares
New England Tele. & Tele. Co.__________Debentures
(Bids 11 a.m. EST) $30,000,000
New Orleans Public Service Inc.____________Bonds
(Bids noon EST) $6,000,000
Virginia Telephone & Telegraph Co._______Common
(Scott, Horner & Mason, Inc.) $533,750

December 15 (Wednesday)
Alaska Telephone Corp.__________________Debentures
(Tellier & Co.) $158,000
American Discount Co. of Georgia________Preferred
(A. M. Law & Co.; Johnson, Lane, Space & Co.; and Interstate Securities Corp.) $750,000
Belgium (Kingdom of) _____________________Bonds
(Morgan Stanley & Co.) $30,000,000
Bell Aircraft Corp.________________________Common
(Probably Eastman, Dillon & Co.) 246,119 shares
Illinois Central RR._______________________Debentures
(Bids to be invited) $18,000,000
Loma Uranium Corp._______________________Common
(Peter Morgan & Co.) $1,250,000
Olsen (C. A.) Manufacturing Co. _________Common
(Hornblower & Weeks) 225,000 shares

January 4 (Tuesday)
Union Trust Co. of Maryland______________Common
(Alex. Brown & Sons) 100,000 shares

January 11 (Tuesday)
Commonwealth Edison Co.____________________Bonds
(Bids to be invited)
New York, Chicago & St. Louis RR.____Debentures
(Bids to be invited) $36,000,000

January 18 (Tuesday)
New England Power Co._____________________Bonds
(Bids to be invited) $25,000,000

February 15 (Tuesday)
Kansas City Power & Light Co.______________Bonds
(Bids to be invited) $16,000,000

Continued from page 41

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.

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.

● Blue Mountain Uranium Mines, Inc. (12/1)
Nov. 12 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For exploration and development expenses. **Office**—230 N. Third St., Grand Junction, Colo. **Underwriter**—Tellier & Co., Jersey City, N. J.

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.

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.

Central Power & Light Co. (12/7)
Nov. 15 filed 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); Stone & Webster Securities Corp.; Salomon Bros. & Hutzler; Kuhn, Loeb & Co. **Bids**—Expected to be received on Dec. 7.

● Century Uranium Corp., Dallas, Tex. (11/30)
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.

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.

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 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.

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 working 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.
Oct. 29 filed 30,928 shares of 5% cumulative convertible preferred stock being offered first for subscription by common stockholders at the rate of one preferred share for each 10 common shares held Nov. 22 (with an oversubscription privilege); rights to expire on Dec. 7. **Price**—At par ($25 per share). **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. (11/30)
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.

★ Dallas Power & Light Co.
Nov. 17 (letter of notification) 567 shares of common stock (no par) to be offered for subscription by minority stockholders. **Price** — $140 per share. **Proceeds** — For construction program. **Office**—1506 Commerce Street, Dallas, Texas. **Underwriter**—None.

Dallas Uranium & Oil Corp.
Nov. 8 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents). **Proceeds**—For exploration and development expenses. **Office**—1028 National Bank Bldg., Denver, Colo. **Underwriter**—Brereton, Rice & Co., Inc., same city.

★ Dawn Oil Co., Inc.
Nov. 15 (letter of notification) 50,000 shares of common stock. **Price**—At par $1 per share). **Proceeds**—For oil and gas activities. **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., Maob, 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.

Eastern Utilities Associates (12/9)
Nov. 10 filed $7,250,000 collateral trust bonds due Dec. 1, 1979. **Proceeds**—To be used principally to refund $7,000,000 4⅜% 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. (jointly); Lehman Brothers. **Bids**—Expected to be received up to 11 a.m. (EST) on Dec. 9 at 49 Federal St., Boston, Mass.

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. (12/6)
Nov. 5 filed 300,000 shares of convertible second preferred stock, series of 1954 (no par) to be offered in part for subscription by common stockholders 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. **Price** — To be supplied by amendment. **Proceeds**—To redeem 1952 series preferred stock and to reduce bank loans. **Underwriter** — White, Weld & Co., New York. **Offering** — Temporarily postponed.

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.

Federal Paper Board Co., Inc. (12/1)
Nov. 12 filed 200,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Goldman, Sachs & Co., New York.

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.

Four States Uranium Corp., Grand Junction, Colo.
Aug. 16 (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 Tire & Rubber Co.
Nov. 18 filed 95,000 shares of 5½% cumulative preference stock (par $100) to be offered in exchange for common stock of Motor Products Corp., the rate of exchange to be filed by amendment. Offer will be subject to acceptance thereof by holders of not less than 315,000 shares of Motor Products common stock.

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. Christopulos & Co., same city.

★ Georgia Continental Telephone Co., Dawson, Ga.
Nov. 19 (letter of notification) 12,000 shares of 6% cumulative preferred stock. **Price**—At par ($25 per share). **Proceeds** — For additions and improvements. **Underwriters**—White, Weld & Co., New York; and The Robinson-Humphrey Co. and Clement A. Evans & Co., Inc., both of Atlanta, Ga.

Glasscock (C. G.)-Tidelands Oil Co.
Nov. 12 filed 215,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans, to purchase outstanding stock of C. G. working capital. **Office**—Corpus Christi, Tex. **Underwriters**—First California Co., San Francisco, Calif.; and William R. Staats & Co., Los Angeles, Calif.

★ Globe Hill Mining Co., Colorado Springs, Colo.
Nov. 18 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—1¾ cents per share. **Proceeds**—For mining purposes. **Office**—326 Independence Bldg., Colorado Springs, Colo. **Underwriter**—Al. J. Johnson, same city.

★ Great Lakes Engineering Works
Nov. 16 (letter of notification) 18,500 shares of common stock (par $10), to be offered for subscription by certain key employees. **Price**—$12 per share. **Proceeds**—For

general corporate purposes. **Office**—Foot of Great Lakes Avenue, River Rouge, Mich. **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.

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 & Co. (jointly). **Bids**—Had tentatively been expected to be received up to 11:30 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed.

Gulf States Utilities Co.
May 14 filed $24,000,000 of first mortgage bonds due June 1, 1984. **Proceeds**—To redeem $10,000,000 of 3⅜% first mortgage bonds due 1981 and $10,000,000 of 3⅜% first mortgage bonds due 1983, and for general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp.; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp. **Bids**—Had tentatively been expected to be received up to 11 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed.

Gunsite Butte Uranium Corp.
Oct. 25 (letter of notification) 25,000,000 shares of capital stock. **Price**—At par (one cent per share). **Proceeds**—For exploration and development expenses. **Office**—36 West Broadway, Salt Lake City, Utah. **Underwirter**—Melvin G. Glegal & Co., same address.

● **Hackensack Water Co.**
Oct. 28 filed 48,047 shares of common stock (par $25) being offered for subscription by common stockholders at the rate of one new share for each eight shares held as of Nov. 18; rights to expire on Dec. 6. **Price**—$40 per share. **Proceeds**—For capital additions and to purchase securities of Spring Valley Water Works & Supply Co. **Underwriters**—The First Boston Corp. and White, Weld & Co., both of New York.

Harley Patents, Inc.
Nov. 10 (letter of notification) 7,900 shares of capital stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To underwriter, E. E. Smith Co., New York.

Headley (George L.) Associates, Inc.
Oct. 15 (letter of notification) 295,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Underwriter**—F. M. Hall & Co., New York, N. Y.

Home Improvemnt Financing Corp.
July 1 (amendment) 30,000 shares of 6% cumulative preferred stock (with class A common stock purchase warrants). **Price**—At par ($10 per share). **Proceeds**—To finance home improvements. **Underwriter**—Robert K. Berry, Westfield, N. J., to act as agent.

● **Home Telephone & Telegraph Co. of Virginia**
Oct. 18 (letter of notification) 40,320 shares of capital stock being offered to stockholders of record Nov. 18, 1954, on the basis of one new share for each seven shares held; rights to expire Dec. 15. **Price** — At par ($5 per share). **Proceeds**—To reduce bank notes. **Office**—107 Valley Street, Emporia, Va. **Underwriter**—None.

★ **Hulfish (Tom) Finance Co., Mt. Rainier, Md.**
Nov. 12 (letter of notification) 6,000 shares of 6% cumulative preferred stock (par $25) and 18,000 shares of class A common stock (par $1). **Price**—At par. **Proceeds**—For working capital. **Office** — 3309 Rhode Island Avenue, Mt. Ranier, Md. **Underwriter**—None.

● **Illinois Telephone Co., Bloomington, Ill. (12/7)**
Nov. 17 filed 20,000 shares of cumulative preferred stock, series C (par $50). **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

★ **Incorporated Income Fund, Boston, Mass.**
Nov. 24 filed (by amendment) 1,599,870 additional shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

★ **International Spa, Inc., Reno, Nev.**
Nov. 23 filed 12,000 shares of common stock (no par). **Price**—$500 per share. **Proceeds**—For land, construction, working capital, etc. **Underwriter**—None.

● **Interstate Power Co., Dubuque, Iowa (11/30)**
Oct. 29 filed 200,000 shares of preferred stock (par $50). **Proceeds**—To redeem 100,000 shares of 4.70% preferred stock at $52.50 per share (plus accrued dividends) and to repay $2,000,000 of promissory notes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Smith, Barney & Co.; Blyth & Co., Inc. and Lehman Brothers (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly). **Bids**—To be received up to 10:30 a.m. (CST) on Nov. 30 at 327 So. La Salle St., Chicago 4, Ill.

Investment Corp. of America
Aug. 30 (letter of notification) 3,799 shares of cumulative preferred stock (no par) and 3,799 shares of common stock (no par). **Price**—For preferred, $20 per share; and for common, $2 per share. **Proceeds**—For working capital. **Office**—3603 Broadway, San Antonio, Tex. **Underwriter**—Interior Securities, Inc., San Antonio, Tex.

★ **Jarecki Corp., Grand Rapids, Mich. (12/13-17)**
Nov. 19 filed 180,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To F. J. Jarecki (Chairman), C. F. Jarecki (President and General Manager) and Leora J. Walgren, each selling 60,000 shares. **Underwriter**—Baker, Simonds & Co., Detroit, Mich.

Kemper Thomas Co., Cincinnati, Ohio
Nov. 5 (letter of notification) 10,000 shares of common stock (par $10) to be offered for subscription by stockholders first, then to public. **Price**—$16.50 per share. **Proceeds**—For working capital. **Office**—Norwood Park, Cincinnati, O. **Underwriter**—None.

Laclede Gas Co., St. Louis, Mo. (12/1)
Nov. 4 filed $15,000,000 first mortgage bonds due Dec. 1, 1979. **Proceeds**—To redeem $6,050,000 3½% first mortgage bonds due Dec. 1, 1965, and $8,000,000 3¾% first mortgage bonds, due April 1, 1976, and for new construction, etc. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Stone & Webster Securities Corp.; Lehman Brothers; Blair & Co., Inc., and Drexel & Co. (jointly). **Bids** — To be received up to 11 a.m. (EST) on Dec. 1 in New York.

Lake Lauzon Mines, Ltd., Toronto, Can.
Aug. 2 filed 660,000 shares of common stock (par $1, Canadian), of which 500,000 shares are to be offered in behalf of the company and 160,000 shares for account of Percy E. Rivett. **Price**—40 cents per share, U. S. funds. **Proceeds** — For development and exploration expenses. **Underwriter**—To be named by amendment.

Lee Finance Co., Minneapolis, Minn.
Nov. 3 (letter of notification) 13,000 shares of preferred stock (par $10) and $170,000 of 8% subordinate notes due five years from date of issue. **Price**—At par. **Proceeds**—To reduce bank loans and for working capital. **Office**—305 Northwestern Federal Bldg., Minneapolis, Minn. **Underwriter**—Daniels & Smith.

★ **Liberty Oil & Uranium Co., Denver, Colo.**
Nov. 19 (letter of notification) 2,900,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds** — For oil and mining activities. **Office** — 250 Equitable Bldg., Denver, Colo. **Underwriter** — Carroll, Kirchner & Jaquith, Inc., same city.

Liberty Uranium Corp., Salt Lake City, Utah
July 1 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining operations. **Office**—402 Darling Bldg., Salt Lake City, Utah. **Underwriter** — Uranium Mart, Inc., 146 S. Main St., Salt Lake City, Utah.

★ **Life Insurance Stock Fund, Inc., Birmingham, Ala.**
Nov. 19 filed 980,000 shares of common capital stock. **Price**—At market. **Proceeds**—For investment.

Lincoln Uranium Corp., Reno, Nev.
Nov. 5 (letter of notification) 5,500,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development expenses. **Office**—206 N. Virginia St., Reno, Nev. **Underwriter**—McCoy & Willard, Boston, Mass.

● **Loma Uranium Corp., Denver, Colo. (12/15)**
June 18 filed 1,000,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For exploration and development costs, purchase of equipment, and reserve for acquisition of additional properties. **Underwriter**—Peter Morgan & Co., New York.

Long Island Lighting Co. (12/7)
Nov. 10 filed $15,000,000 of first mortgage bonds due 1984. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Smith, Barney & Co.; Baxter, Williams & Co. **Bids**—Expected to be received up to 11 a.m. (EST) on Dec. 7.

Mac Fos Uranium, Inc., Salt Lake City, Utah
Sept. 16 (letter of notification) 4,000,000 shares of common stock (par one cent). **Price**—Three cents per share **Proceeds**—For exploration and development costs. **Office**—239 Ness Bldg., Salt Lake City, Utah. **Underwriter**—Utah Securities Co., same city.

Magic Metals Uranium Corp.
Sept. 14 (letter of notification) 2,995,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For exploration and development expenses. **Office**—65 East 4th South, Salt Lake City, Utah. **Underwriter**—Mid-Coninent Securities, Inc., the same city.

Magic Uranium Co., Inc., Salt Lake City, Utah
Oct. 15 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For development and exploration costs. **Office**—529 Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—I. J. Schenin Co., New York.

★ **Marine Midland Corp., Buffalo, N. Y.**
Nov. 18 filed 426,000 shares of common stock (par $5) to be offered in exchange for outstanding stock of Genesee Valley Trust Co., at rate of 4¼ shares of common stock for each Genesee shares held of record on Dec. 8. Offer is subject to acceptance thereof by holders of not less than 80% (80,000 shares) of Genesee stock.

Marion River Uranium Co.
June 14 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For development expenses. **Underwriter**—Crerie & Co., Houston, Tex.

Mayday Uranium Co., Salt Lake City, Utah
Oct. 29 (letter of notification) 17,000,000 shares of common stock (par one-half cent). **Price**—One cent per share. **Proceeds** — For exploration and development costs. **Office**—Harver Bldg., Salt Lake City, Utah. **Underwriter** — Utah Uranium Brokers, 2680 South 20th East, Salt Lake City, Utah.

McCluskey Wire Co., Inc., New Haven, Conn.
June 21 (letter of notification) $95,000 of 5% debentures, series A, due July 1, 1962, and $95,000 of 6% debentures, series B, due July 1, 1970. **Proceeds**—To acquire assets and business of H. & T. McCluskey & Sons, Inc. **Office**—527 Grand Avenue, New Haven, Conn. **Underwriter**—Barnes, Bodell & Goodwin, Inc., New Haven, Conn.

Mercast Corp., N. Y.
Sept. 30 (letter of notification) 5,000 shares of common stock (par 10 cents). **Price**—$4.75 net to sellers. **Proceeds**—To Atlas Corp. **Office**—295 Madison Ave., New York 17, N. Y. **Underwriter**—Franklin, Mayer & Barnett, New York City.

● **Mexican Gulf Sulphur Co. (11/29-30)**
Oct. 22 filed 200,000 shares of common stock (par 10¢). **Price**—To be supplied by amendment. **Proceeds**—For equipment, capital improvements and working capital. **Underwriter**—Van Alstyne, Noel & Co., New York.

Mi-Ame Canned Beverages Co., Hialeah, Fla.
Oct. 28 (letter of notification) 260,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To purchase raw materials and new machinery, and for working capital. **Underwriter** — Frank D. Newman & Co., Miami, Fla.

★ **Mid-Hudson Oil Co., Inc.**
Nov. 17 (letter of notification) $200,000 of 5% registered serial notes due July 1, 1955. **Price**—At par (in multiples of $100). **Proceeds**—For working capital, etc. **Office**—Prospect St., Poughkeepsie, N. Y. **Underwriter**—None.

● **Mid-States Commercial Corp.**
Nov. 9 (letter of notification) 4,800 shares of 7% cumulative preferred stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office** — 2 King St., Middletown, N. Y. **Underwriter**—Frazee, Olifiers & Co., New York. No general offer planned.

● **Mississippi Power & Light Co. (12/2)**
Sept. 3 filed 44,476 shares of cumulative preferred stock (par $100) to be offered in exchange for a like number of outstanding shares of $6 cumulative preferred stock (no par) on a share-for-share basis (with a cash adjustment). Offer expected to run from Dec. 6 and expire Dec. 20. **Underwriter**—To be determined by competitive bidding. Probable bidders: Union Securities Corp. and Equitable Securities Corp. (jointly); Lehman Brothers; Blyth & Co., Inc. and Shields & Co. (jointly); White, Weld & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. **Bids**—Expected to be received up to 11 a.m. (EST) on Dec. 2.

Monte Cristo Uranium Corp., Moab, Utah
Oct. 5 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development expenses. **Underwriter**—James E. Reed Co., 139 North Virginia St., Reno, Nev.

● **Monterey Oil Co. (12/8)**
Nov. 17 filed a maximum of 300,000 shares of common stock (par $1). **Price**—To be supplied by amendment (initial offering price to be related to the then current price on the New York Stock Exchange. **Proceeds**—To reduce indebtedness incurred in purchase of assets of Fullerton Oil & Gas Corp. and for general corporate purposes. **Underwriter**—Lehman Brothers, New York.

Moore Fabrics, Inc., Pawtucket, R. I.
Sept. 24 (letter of notification) 40,000 shares of common stock. **Price**—At par ($7.50 per share). **Proceeds**—For working capital. **Office**—45 Washington St., Pawtucket, R. I. **Underwriter**—Barrett & Co., same city.

★ **Morehouse-Gorham Co., Inc.**
Nov. 18 (letter of notification) 2,000 shares of 6% cumulative convertible preferred stock. **Price**—At par ($50 per share). **Proceeds**—For working capital, etc. **Business**—Publishers and distributors of religious books and supplies. **Office**—14 East 41st St., New York 17, N. Y. **Underwriter**—None.

● **Nacimiente Uranium Mining Corp.**
Nov. 15 (letter of notification) 1,470,000 shares of common stock (par one cent). **Price**—20 cents per share. **Proceeds**—For exploration and development costs. **Office**—208 Korber Bldg., Albuquerque, N. M. **Underwriter**—None.

National Fuel Gas Co.
Sept. 29 filed 381,018 shares of common stock (no par) being offered for subscription by common stockholders of record Nov. 8 on the basis of one new share for each ten shares held (with an oversubscription privilege); rights to expire Nov. 29. **Price**—$17.75 per share. **Proceeds**—For investments in and advances to subsidiaries. **Underwriter**—None.

★ **New England Tel. & Tel. Co. (12/14)**
Nov. 23 filed $30,000,000 of 34-year debentures due Dec. 15, 1988. **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent. **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 up to 11 a.m. (EST) on Dec. 14.

Continued on page 44

Continued from page 43

New Orleans Public Service Inc. (12/14)
Nov. 5 filed $6,000,000 first mortgage bonds due 1984. **Proceeds** — For construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly); Lehman Brothers, Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co. **Bids**—Expected to be received up to noon (EST) on Dec. 14.

New Silver Belle Mining Co., Inc., Almira, Wash.
Sept. 8 (letter of notification) 500,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Underwriters**—Percy Dale Lanphere and R. E. Nelson & Co., both of Spokane, Wash.

Norfolk & Carolina Telephone & Telegraph Co.
Nov. 10 (letter of notification) 2,000 shares of common stock (par $100) to be offered for subscription by stockholders. **Proceeds**—To repay loan. **Office**—Elizabeth City, N. C. **Underwriter**—None.

Northern California Plywood, Inc.
Sept. 13 filed 300 shares of common stock (par $5,000) and 5,000 shares of 5% cumulative participating preferred stock (par $100). **Price**—At par. **Proceeds**—To 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.

Ol 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.**
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. **Offering**—Not expected until early in 1955.

★ **Olsen (C. A.) Manufacturing Co., Elyria, Ohio (12/15)**
Nov. 24 filed 225,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Business** — Produces warm air furnaces for residential use. **Underwriter**—Hornblower & Weeks, New York.

★ **Olympic Investing Corp. (Del.), Jamaica, N. Y.**
Nov. 17 (letter of notification) 2,500 shares of common stock. **Price**—At par ($100 per share) and accrued dividends. **Proceeds** — For working capital, etc. **Office** — 181-14 Hillside Ave., Jamaica, L. I., N. Y. **Underwriter** —None.

★ **One-Hour Valet, Inc., Miami, Fla.**
Nov. 18 (letter of notification) 30,000 shares of common stock (par $1), of which 9,450 shares are to be offered by the company and 20,550 shares for the account of selling stockholders. **Price**—$5 per share. **Proceeds**—For investment in new subsidiaries. **Office** — Chamber of Commerce Bldg., Miami, Fla. **Underwriters** — R. S. Dickson & Co., Charlotte, N. C.; Courts & Co., Atlanta, Ga.; Clark, Landstreet & Kirkpatrick, Inc., Nashville, Tenn.; and Willis, Kenny & Ayers, Inc., Richmond, Va.

★ **Oroco Oil & Gas Co., Albuquerque, N. Mex.**
Nov. 18 filed 520,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To pay outstanding debts and for drilling operations and other general corporate purposes. **Underwriter** — Rauscher, Pierce & Co., Dallas, Texas.

● **Paraderm Laboratories, Inc. (11/30)**
Nov. 12 (letter of notification) 250,000 shares of common stock (par 30 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—415 Congress St., Portland, Me. **Underwriter** — Sheehan & Co., Boston, Mass.

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.

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.

● **Pioneer Finance Co., Detroit, Mich. (11/30)**
Nov. 8 filed 50,000 shares of 6% cumulative preferred stock (par $10). **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 $10). **Price**—At par. **Proceeds**—To redeem outstanding debentures and for working capital. **Underwriters**—Watling, Lerchen & Co., Detroit, Mich., and Mullaney, Wells & Co., Chicago, Ill.

★ **Public Finance Corp. of Alaska, Anchorage, Alaska**
Nov. 16 (letter of notification) 20,000 shares of common stock (par $10). **Price**—$15 per share. **Proceeds**—For opening of new offices in Juneau and Seward, Alaska, and for loans. **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 3¾% 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**—To be received up to 11 a.m. (EST) on Nov. 30 at Room 120, Parker House, Tremont and School Sts., Boston, Mass.

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.

● **Reinforced Plastics Corp. (11/26)**
Oct. 28 (letter of notification) $295,000 of 5½% six-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. **Office**—Martha's Vineyard, Mass. **Underwriter**—John R. Boland & Co., Inc., New York.

● **Rhodesian Selection Trust Ltd. (Northern Rhodesia)**
Nov. 12 filed 100,000 American shares to be issued against deposit of ordinary shares of Rhodesian Selection Trust Ltd. to be offered by subscription warrants to holders of American shares. (Rhodesian's principal offices were transferred from England to Lusaka, Northern Rhodesia, in 1953, and its principal asset consists of shares of the Mufulira Copper Mines, Ltd., Northern Rhodesia.) Proceeds of Rhodesian's offering of its shares will be used to subscribe to pro rata shares of a stock offering by Mufulira; the balance for general corporate purposes.

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.

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 Jacinto Insurance Co., Houston, Tex.**
Nov. 19 (letter of notification) 640 shares of common stock to be offered for subscription by stockholders; then to public. **Price**—To stockholders, $200 per share; to public, $210 per share. **Proceeds**—To increase capital and surplus. **Office** — 1038 Bankers Mortgage Bldg., Houston 6, Tex. **Underwriter**—None.

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.

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.

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 Crerie & 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 was 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. [On Nov. 15 it was announced that more than 2,765,616 shares of Humble stock have already been tendered under this offer.—Ed.] **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.**
Nov. 4 filed 1,004,509 shares of common stock (par $1) being 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 Nov. 24; rights to expire 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.

★ **Stinnes (Hugo) Corp., New York**
Nov. 22 filed $6,000,000 of notes and an unspecified number of shares of common stock (par $5) to be offered in units of $1,000 of notes and an unspecified number of common shares. **Price**—To be supplied by amendment. **Proceeds**—For retirement of 7% debentures of Hugo Stinnes Industries, Inc., due 1946. **Underwriters**—Halsey, Stuart & Co. Inc. and A. G. Becker & Co. Inc., Chicago and New York.

★ **Strutwear, Inc., Minneapolis, Minn.**
Nov. 15 (letter of notification) 10,000 shares of common stock (par $5) to be offered for subscription by employees. **Price**—Average cost to company, but not exceeding $5 per share. **Proceeds**—None. **Office**—1015 South Sixth Street, Minneapolis, Minn. **Underwriter**—None.

● **Stylon Corp., Milford, Mass.**
Sept. 27 filed 650,000 shares of common stock (par $1) being offered to the holders of the $1,300,000 City of Florence, Ala., 5% first mortgage industrial development revenue bonds on the basis of 500 shares of stock for each $1,000 bond up to and including Aug. 31, 1958; 333 shares per $1,000 bond thereafter and up to and including Aug. 31, 1963; 250 shares thereafter and up to and including Aug. 31, 1968; and 200 shares thereafter to Oct. 15, 1977. It is the present intention of the management of the company to hold any bonds so tendered for the purposes of receiving tax-free income thereon. Statement became effective on Nov. 17.

★ **Sunburst Uranium Corp., Reno, Nev.**
Nov. 15 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For exploration and development costs. **Office**—211 Reno National Bank Building, Reno, Nev. **Underwriter**—None.

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)
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 2½ 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.

Tennessee Gas Transmission Co. (12/8)
Nov. 17 filed $125,000,000 of new first mortgage pipe line bonds due 1975. **Price**—To be supplied by amendment. **Proceeds**—To redeem $38,450,000 3⅞% bonds due 1972; $24,750,000 4% bonds and $29,400,000 4⅛% bonds both due 1973; to pay $21,000,000 outstanding short term notes; and for general corporate purposes. **Underwriters**—Stone & Webster Securities Corp.; White, Weld & Co.; and Halsey, Stuart & Co. Inc.

★ **Texam Oil & Gas Co., Houston, Texas**
Nov. 17 filed 700,000 shares of capital stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To repay bank loans and for drilling development and exploratory costs. **Underwriter**—Allen & Co., New York.

★ **Texas Glass Fibre Corp.**
Nov. 10 (letter of notification) 50,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For improvements and working capital. **Office** — Grandview, Texas. **Underwriters**—Keith Reed & Co., Inc. and Eppler, Guerin & Turner, of Dallas, Texas; Muir Invest-

ment Corp. and Texas National Corp., of San Antonio, Texas; and Chas. B. White & Co., Houston, Texas.

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 4½ 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, Neb. **Underwriter**—Stock, Inc., Salt Lake City.

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.

Transport Indemnity Co., Los Angeles, Calif.
Nov. 9 (letter of notification) 14,230 shares of capital stock (par $10) to be offered for subscription by stockholders of record Nov. 20, 1954, on the basis of one new share for each five shares held; rights to expire on Dec. 20, 1954. **Price**—$20 per share to stockholders; remaining shares, if any, may be sold to affiliate at $23.50, but aggregate amount will not exceed $300,000. **Proceeds**—for capital and surplus. **Office**—3670 Wilshire Blvd., Los Angeles 5, Calif. **Underwriter**—None.

★ **Triangle Mines, Inc., Salt Lake City, Utah**
Nov. 19 (letter of notification) 180,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—485 4th Ave., Salt Lake City, Utah. **Underwriter**—None.

Turf Paradise, Inc., Phoenix, Ariz.
Nov. 12 filed 83,334 shares of common stock (par $10) and 83,334 shares of preferred stock (par $20) to be offered in units of one share of each class of stock. **Price**—$30 per unit. **Proceeds**—To construct racing plant and to repay obligations. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

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.

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 Discovery & Development Co., Wallace, Idaho**
Nov. 16 (letter of notification) 1,000,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For core drilling program upon two groups of claims. **Address**—Box 709, Wallace, Idaho. **Underwriter**—Wallace Brokerage Co., some city.

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.

★ **Van Horn Butane Service, Fresno, Calif.**
Nov. 17 (letter of notification) 24,998 shares of common stock (par $2.50) to be offered for subscription by stockholders on the basis of one new share for each 10 shares held; unsubscribed shares to be offered to employees. **Price**—$6 per share. **Proceeds**—For working capital. **Address**—Box 547, Fresno, Calif. **Underwriters**—J. Barth & Co. and Schwabacher & Co., both of San Francisco, Calif.

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.**
Oct. 22 filed 600,000 shares of common stock (par $10) being offered for subscription by stockholders of record Nov. 23 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on Dec. 8. **Price**—$29 per share. **Proceeds**—For construction program. **Underwriter**—Stone & Webster Securities Corp.

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**—Alden J. Teske, d/b/a Wallace Brokerage Co., Samuels Hotel, Wallace, Idaho.

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.

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 Empire Uranium Co.**
Nov. 16 (letter of notification) 2,750,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—Silver State Bldg., Denver, Colo. **Underwriter**—L. A. Huey Co., same city.

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.

★ **Willingham Finance Co., Inc., Augusta, Ga.**
Nov. 15 (letter of notification) 10,000 shares of common stock issuable upon exercise of stock options. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—917 Reynolds Street, Augusta, Ga. **Underwriter** None.

World Uranium Mining Corp.
July 21 (letter of notification) 9,996,000 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. Christopulos & 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.**
Nov. 23 stockholders approved a proposal to increase the authorized capital stock from 10,000,000 shares (9,029,193 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, with directors to meet Dec. 7.

★ **Amalgamated Bank of New York**
Nov. 22, Jacob S. Potofsky, President and Chairman, stated that the bank is offering to its stockholders 40,000 additional shares of capital stock (par $10) on a pro rata basis. **Price**—$12.50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

American Discount Co. of Georgia (12/15)
Nov. 11 it was reported company plans issuance and sale of 15,000 shares of 5% cumulative preferred stock (par $50). **Underwriters**—A. M. Law & Co.; Johnson, Lane, Space & Co. and Interstate Securities Corp.

★ **Bank of Asheville, N. C.**
Nov. 15 stockholders of record Nov. 13 were offered the right to subscribe on or before Dec. 15 for 2,500 additional shares of capital stock (par $10) on the basis of one new share for each eight shares held. **Price**—$25 per share. **Proceeds**—For capital and surplus. **Underwriters**—McCarley & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane, both of Asheville, N. C.

Belgium (Kingdom of) (12/15)
Nov. 1 it was reported sale of $30,000,000 of new bonds is soon expected. **Underwriter**—Morgan Stanley & Co., New York. **Registration**—Expected tomorrow (Nov. 26).

★ **Big Dollar Food Stores, Inc.**
Nov. 17 it was reported company plans to issue and sell 100,000 shares of common stock. **Price**—$3 per share. **Business**—Operates five stores in Westchester County, N. Y. **Underwriter**—Baruch Brothers & Co., Inc., New York.

● **Broadway-Hale Stores, Inc., Los Angeles, Calif.**
Nov. 16 stockholders voted to increase 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 & 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.

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 3⅞% bonds and $2,441,000 4% bonds. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.

★ **Chicago, Burlington & Quincy RR.**
Nov. 22 it was announced company has applied to ICC for authority to issue and sell $4,800,000 of equipment trust certificates to be dated Dec. 1, 1954, and to mature semi-annually to and including Dec. 1, 1969. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

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, Milwaukee, St. Paul & Pac. RR. (12/6)**
Bids will be received by the company up to noon (CST) on Dec. 6 at Room 744, Union Station Building, Chicago 6, Ill., for the purchase from it of $7,200,000 equipment

Continued on page 46

Continued from page 45

trust certificates, series TT, dated Nov. 1, 1954, and due semi-annually to and including Nov. 1, 1969. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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, disclosd 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 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.

Duke Power Co.
Nov. 10 it was announced company plans to issue and sell $40,000,000 of 20-year first mortgage bonds. **Proceeds**—To redeem $35,000,000 3¾% bonds, due 1983, and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Stone & Webster Securities Corp.; The First Boston Corp. **Bids**—Expected in January.

Duke Power Co.
Nov. 10 company announced it plans to offer to its common stockholders a maximum of 218,737 additional shares of common stock on a 1-for-20 basis. **Proceeds**—For construction program. **Underwriter**—None.

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 author ized 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 Colorado Springs
Nov. 3 stockholders were given the right to subscribe for 12,500 additional shares of capital stock on a 1-for-4 basis. **Price**—$38.50 per share. **Underwriters**—Newman & Co., Colorado Springs, Colo.; and Bosworth, Sullivan & Co. and Boettcher & Co., both of Denver, Colo.

Fort Neck National Bank, Seaford, N. Y.
Nov. 17 stockholders of record Nov. 16 were offered 26,000 additional shares of capital stock (par $12.50) on a 1-for-2 basis; rights to expire on Dec. 7. **Price**—$20 per share. **Underwriter**—Blair & Co. Incorporated, New York.

General Homes, Inc., Huntington Station, N. Y.
Nov. 17 it was announced company plans to issue and sell 300,000 shares of common stock. **Price**—$5 per share. **Proceeds**—For working capital. **Business**—Prefabricated houses. **Underwriter**—S. D. Fuller & Co., New York. **Offering**—Expected in December.

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.

Gulf, Moblie & 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 3¾s due 1975 and 1969, respectively; collateral trust 3¾s 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.

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. (2/15)
Sept. 15 it was announced that company plans to sell $16,000,000 first mortgage bonds due 1985. **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. **Bids**—Expected to be received on Feb. 15, 1955.

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.

★ Marine Midland Corp., Buffalo, N. Y.
Nov. 17 it was announced company plans to offer to its common stockholders the right to subscribe for approximately 400,000 shares of commulative convertible preferred stock (par $50). **Proceeds** — For investment in additional capital stock of subsidiary banks and for other corporate purposes. **Underwriters** — Union Securities Corp.; The First Boston Corp.; Schoellkopf, Hutton & Pomeroy; Granbery, Marache & Co. **Meeting** — Stockholders to vote on financing Dec. 29.

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.

● Missouri Pacific RR. (12/9)
Bids will be received by this company on Dec. 9 for the purchase from it of $4,575,000 equipment trust certificates (part of a new authorized issue of $8,550,000). Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair & Co. Incorporated.

New England Power Co. (1/18)
Nov. 15 it was announced company plans to issue and sell $25,000,000 of first mortgage bonds, series F, due 1985. **Proceeds**—To purchase properties from Connecticut River Power Co. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kuhn, Loeb & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White Weld & Co. (jointly). **Bids**—Expected to be received on Jan. 18, 1955.

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. (1/11)
Nov. 16 it was announced company plans to issue and sell $36,000,000 of income debentures due 1990. **Proceeds**—To redeem outstanding 334,166 shares of 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. 11.

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.

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.

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.; Shields & Co.

● Public Service Co. of Oklahoma
Nov. 11 it was reported that company plans to issue and sell 100,000 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. **Offering**—Expected in first half of 1955.

★ Public Service Electric & Gas Co.
Nov. 17 it was announced company plans to issue and sell 250,000 shares of cumulative preferred stock (par $100). **Proceeds** — To reduce bank loans and for construction program. **Underwriters** — Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co. **Offering**—Expected in January, 1955.

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.

Seaboard Air Line RR. (11/30)
Bids will be received by the company up to noon (EST) on Nov. 30 at the office of Willkie Owen Farr Gallagher & Walton, 15 Broad St., New York 5, N. Y., for the purchase from it of $5,010,000 equipment trust certificates, series O, to be dated Dec. 1, 1954, and to mature in 30 equal semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair & Co., Incorporated.

Servomechanisms, Inc. (12/13-17)
Nov. 15 it was reported company plans to issue and sell $2,000,000 of 5% convertible debentures due 1966. **Underwriter**—Van Alstyne, Noel & Co., New York. **Registration**—Expected week of Nov. 22.

Southern Nevada Power Co.
Nov. 12 it was announced company plans to issue additional common stock early next year. **Underwriters**—Hornblower & Weeks, William R. Staats & Co. and First California Co.

Texas & Pacific Ry. (12/8)
Nov. 11 it was reported company plans to receive bids on Dec. 8 for the purchase from it of $1,350,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair & Co. Incorporated; R. W. Pressprich & Co.

● Transcontinental Gas Line Corp.
Nov. 24 Tom P. Walker, President, announced that next year's construction program and replacement of bank borrowings made this year will require financing during 1955 of about $85,000,000. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

Union Trust Co. of Maryand (1/4)
Nov. 11 it was announced bank plans to offer its stockholders 100,000 additional shares of capital stock (par $10) on a 1-for-3 basis. **Underwriter**—Alex. Brown & Sons, Baltimore, Md. **Meeting**—Stockholders will vote on financing on Jan. 4.

★ United Gas Corp.
Nov. 22 Electric Bond & Share Co. filed with the SEC an application to sell 170,000 shares of common stock of United Gas Corp. in order to reduce its holdings to less than 10% of United Gas stock outstanding. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Goldman, Sachs & Co.; The First Boston Corp.; Lehman Brothers. **Bids**—Expected to be received early in January.

U. S. National Bank of Portland (Ore.) (12/2)
Nov. 8 it was announced that following approval by stockholders on Nov. 26 of a merger with Commercial Bank of Oregon and Bank of Albany, it is planned to offer stockholders of record Dec. 2 right to subscribe on or before Dec. 24 for 48,000 shares of capital stock (par $20). **Price**—$50 per share. **Underwriter**—Blyth & Co., Inc., New York.

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.

★ Virginia Telephone & Telegraph Co. (12/14-15)
Nov. 22 it was reported company plans to offer to residents of Virginia 35,000 additional shares of common stock. **Price**—About $15.25 per share. **Proceeds**—For additions and improvements. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va.

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).

DIVIDEND NOTICES

TEXAS UTILITIES COMPANY

DIVIDEND NOTICE

The Board of Directors today declared a dividend of 58 cents per share on the Common Stock of the Company, payable January 3, 1955 to stockholders of record at the close of business December 1, 1954.

D. W. JACK
Secretary

November 19 1954

AMERICAN MACHINE AND METALS, INC.

44th Dividend

A REGULAR QUARTERLY CASH DIVIDEND of 25¢ a share and An EXTRA CASH DIVIDEND of 60¢ a share will be paid concurrently on December 22, 1954 to share holders of record at the close of business December 8, 1954.

H. T. McMeekin, Treasurer

Bayuk Cigars Inc.

A dividend of fifteen cents (15¢) per share on the Common Stock of this Corporation was declared payable December 15, 1954, to shareholders of record Nov. 30, 1954. Checks will be mailed.

A. WEDEMEYER
TREASURER

Philadelphia, Pa.
November 19, 1954

PHILLIES
America's Nº1 cigar

DIVIDEND NOTICES

Dividend Notice
DUREZ PLASTICS & CHEMICALS, INC.

The Board of Directors has declared a quarterly dividend of $.25 per share on the common stock of the Corporation, payable December 10, 1954, to stockholders of record on November 19, 1954.

JOHN F. SNYDER, *Treasurer*

GEORGE W. HELME COMPANY

9 Rockefeller Plaza, New York, N. Y.

On November 24, 1954 a quarterly dividend of 43¾ cents per share on the Preferred Stock and a dividend of 40 cents per share on the Common Stock were declared, payable January 3, 1955, to stockholders of record at the close of business December 8, 1954.

J. P. McCAULEY, Secretary.

Johns-Manville Corporation
DIVIDEND

The Board of Directors declared a dividend of 75c per share on the Common Stock, and, in addition thereto, a year-end dividend of $1.25 on the Common Stock, both payable December 9, 1954, to holders of record November 29, 1954.

ROGER HACKNEY, *Treasurer*

THE COLORADO FUEL AND IRON CORPORATION

Dividend Notice

At a meeting of the Board of Directors of The Colorado Fuel and Iron Corporation held in New York, N. Y. on November 22, 1954, a dividend on the common stock of the corporation in the amount of thirty-five cents per share was declared, payable January 5, 1955, to stockholders of record at the close of business on December 13, 1954. The regular quarterly dividend on the series A $50 par value preferred stock in the amount of sixty-two and one-half cents per share, and also the regular quarterly dividend on the series B $50 par value preferred stock in the amount of sixty-eight and three-quarters cents per share, were declared, payable on December 31, 1954 to stockholders of record at the close of business on December 3, 1954.

D. C. McGREW
Secretary

Newmont Mining Corporation

Dividends No. 106 and 107

On November 23rd, 1954, the Directors of Newmont Mining Corporation declared a regular dividend (Number 106) of 50¢ per share on the 2,658,230 shares of its Capital Stock now outstanding, payable December 15th, 1954 and an extra dividend (Number 107) of 50¢ per share payable January 5th, 1955, both payable to stockholders of record at the close of business December 1st, 1954.

WILLIAM T. SMITH, *Treasurer*
New York, N. Y., November 23rd, 1954.

UNITED GAS CORPORATION
SHREVEPORT, LOUISIANA

Dividend Notice

The Board of Directors has this date declared a dividend of thirty-seven and one-half cents (37½¢) per share on the Common Stock of the Corporation, payable January 3, 1955, to stockholders of record at the close of business on December 10, 1954.

B. H. WINHAM
November 22, 1954 *Secretary*

C. I. T. FINANCIAL CORPORATION

Extra Dividend on Common Stock

An extra dividend of $0.25 cents per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable December 22, 1954, to stockholders of record at the close of business December 10, 1954. The transfer books will not close. Checks will be mailed.

Dividend on Common Stock

A quarterly dividend of $0.50 per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable January 1, 1955, to stockholders of record at the close of business December 10, 1954. The transfer books will not close. Checks will be mailed.

C. JOHN KUHN,
Treasurer.

November 24, 1954.

DIVIDEND NOTICES

NATIONAL STEEL *Corporation*

100th Consecutive Dividend

The Board of Directors at a meeting on November 16, 1954, declared a quarterly dividend of seventy-five cents per share on the capital stock, which will be payable December 13, 1954, to stockholders of record November 26, 1954.

PAUL E. SHROADS
Vice President & Treasurer

UNITED STATES LINES COMPANY

Common Stock DIVIDEND

The Board of Directors has authorized the payment of a dividend of thirty-seven and one-half cents ($.37½) per share payable December 10, 1954, to holders of Common Stock of record November 26, 1954, who on that date hold regularly issued Common Stock ($1.00 par) of this Company.

CHAS. F. BRADLEY, *Secretary*
One Broadway, New York 4, N. Y.

LIBERTY PRODUCTS CORPORATION
Farmingdale, New York

November 23, 1954

The Board of Directors of Liberty Products Corporation declared a regular quarterly dividend of Thirty-seven and one-half Cents (37½¢) per share on its common stock, payable December 31, 1954, to stockholders of record at the close of business on December 17, 1954.

William G. Holman
Treasurer

ELECTRIC BOND AND SHARE COMPANY

TWO RECTOR ST., NEW YORK 6, N. Y.

Common Stock Dividend

The Board of Directors has declared a dividend, subject to the approval of the Securities and Exchange Commission, on the Common Stock, payable December 28, 1954, to shareholders of record at the close of business November 26, 1954. The dividend will be payable in shares of United Gas Corporation Common Stock at the rate of 2.2 shares for each 100 shares of Electric Bond and Share Company Common Stock. No scrip representing fractional shares of United Gas Corporation Common Stock will be issued to shareholders. The Company proposes to arrange for the Company's dividend agent to handle fractional share equivalents for the shareholders.

B. M. BETSCH,
Secretary and Treasurer

November 18, 1954.

135th Consecutive Quarterly Dividend

THE FINANCE COMPANY OF AMERICA AT BALTIMORE

A quarterly dividend of three and three-quarters per cent (37½ cents per share) has been declared on the outstanding Common Stock of the Company, payable December 15, 1954, to stockholders of record December 3, 1954.

November 19, 1954 W. J. THOMPSON, *Treasurer*

DIVIDEND NOTICES

CHEMICALS
TEXTILES
PLASTICS

CELANESE CORPORATION OF AMERICA
180 Madison Avenue, New York 16, N.Y.

THE Board of Directors has this day declared the following dividends:

4½% PREFERRED STOCK, SERIES A

The regular quarterly dividend for the current quarter of $1.12½ per share, payable January 1, 1955, to holders of record at the close of business December 3, 1954.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable January 1, 1955, to holders of record at the close of business December 3, 1954.

COMMON STOCK

12½ cents per share payable December 23, 1954, to holders of record at the close of business December 3, 1954.

R. O. GILBERT
Secretary

November 23, 1954.

SOUTHERN PACIFIC COMPANY

DIVIDEND NO. 148

A QUARTERLY DIVIDEND of Seventy-five Cents ($.75) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on December 20, 1954, to stockholders of record at the close of business November 29, 1954.

E. J. GOODWIN, Treasurer
New York, N. Y., November 18, 1954.

Tennessee Gas Transmission Company

DIVIDEND NO. 29

The regular quarterly dividend of 35c per share has been declared on the Common Stock, payable January 3, 1955 to stockholders of record on December 3, 1954.

J. E. IVINS,
Secretary.

UNITED FRUIT COMPANY

222nd Consecutive Quarterly Dividend

A dividend of seventy-five cents per share on the capital stock of this Company has been declared payable January 14, 1955, to stockholders of record Dec. 10, 1954.

EMERY N. LEONARD
Secretary and Treasurer
Boston, Mass., Nov. 15, 1954

DIVIDEND NOTICES

ANACONDA

DIVIDEND NO. 186
November 24, 1954

The Board of Directors of Anaconda Copper Mining Company has today declared a dividend of Seventy-five Cents ($.75) per share on its capital stock of the par value of $50 per share, payable December 23, 1954, to stockholders of record at the close of business on December 3, 1954.

C. EARLE MORAN
Secretary and Treasurer
25 Broadway, New York 4, N. Y.

KENNECOTT COPPER CORPORATION

161 East 42d Street, New York, N.Y.

November 19, 1954

A cash distribution of Two Dollars and Twenty-five Cents ($2.25) a share has been declared today by Kennecott Copper Corporation, payable on December 17, 1954, to stockholders of record at the close of business on November 30, 1954.

ROBERT C. SULLIVAN, Secretary

YALE & TOWNE

DECLARES 267th DIVIDEND
50¢ PER SHARE

On Nov. 22, 1954, dividend No. 267 of fifty cents (50¢) per share was declared by the Board of Directors out of past earnings, payable on Jan. 3, 1955, to stockholders of record at the close of business Dec. 10, 1954.

F. DUNNING
Executive Vice-President and Secretary

THE YALE & TOWNE MFG. CO.
Cash dividends paid in every year since 1899

Edison

Southern California Edison Company

DIVIDENDS

ORIGINAL PREFERRED STOCK
DIVIDEND NO. 182

CUMULATIVE PREFERRED STOCK
4.32% SERIES
DIVIDEND NO. 31

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on Original Preferred Stock;

27 cents per share on Cumulative Preferred Stock, 4.32% Series.

The above dividends are payable December 31, 1954 to stockholders of record December 5. *Checks will be mailed from the Company's office in Los Angeles, December 31.*

P. C. HALE, *Treasurer*

November 19, 1954

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — That old monster that used to go around devouring some of the most hopeful legislative babies of the left-wing crowd, is quite likely to come alive again in 1955 with the assumption of control of the House by the Democrats.

This is, of course, the Rules Committee, the only political animal that could really give the jitters to gents like Roosevelt and Truman. For two years this committee has been quiescent, fulfilling the job of helping the other end of Pennsylvania Avenue—for the first time in two decades—to get its way with the House, for Republican conservatives had no great stomach to stop Mr. Eisenhower's "liberal" legislation.

The way the House is set up, it works out practically that unless the Rules Committee blocks off a string of tracks, an important piece of legislation can rarely go through. The committee can also determine whether, and to what extent, the members of the House can by amendment express their ideas about any pending matter.

The ratio of "majority" to "minority" on this committee of 12 is 8 to 4. With the loss of the House the Republicans get themselves only four members of this committee, the four begin Reps. Leo Allen of Illinois (the retiring chairman), Clarence J. Brown of Ohio, Harris Ellsworth of Oregon, and Henry J. Latham of New York.

All four are conservatives by temperment, except when Eisenhower legislation is involved, but Rep. Brown at least is conservative in any case.

The Democrats have two southern conservatives on the committee, both outstanding men. The first of these is Rep. Howard W. Smith of Virginia, who will be the chairman, and an individual who has repeatedly been attacked by the Left. The other is Rep. William M. Colmer of Mississippi.

No. 3 Democrat is Ray J. Madden, an individual who is not disposed to give the CIO or the other "liberals" any great trouble. It is expected here that Rep. Sam Rayburn, the new Speaker, will see to it that Mr. Madden will have the company on the Rules Committee of the 84th Congress of five new members all of whom will be intellectually and politically companionable.

Ties Committee

This ties the Rules Committee 6 to 6 on the broad basis of conservatism versus "liberalism." However, it takes a vote of 7 to 5, in other words a majority, to take affirmative action to report out a rule to make possible the consideration by the House of any major piece of legislation. So where the issue is straight radicalisum, the Rules Committee will probably kill a bill. It is even possible that the Southern conservatives may get their way with at least one of the five new appointees and, with Rupblicans, have a 7 to 5 majority.

On the other hand, an interesting situation will develop if the Republicans revert the 1954 pattern on "liberal" proposals of the President.

Suppose, for instance, a House committee brings out legislation to provide Federal aid for school construction. This is a real possibility for the "liberals" know that such a proposal is being kept up the White House sleeve as a vote lure for 1956, and they might try to beat Eisenhower to this golden proposition.

Southern conservatives on the Rules Committee would stand still for pigeon-holding such a proposition, but it doesn't follow that the Republicans would if Mr. Eisenhower leaned in that direction.

Or another example is health "reinsurance." Under this scheme the Federal Government would progress slowly with gentle financial caresses over a period of several years to the ultimate dominance of the field of health insurance.

This in an Eisenhower program, and it failed in 1954 primarily because the Democrats thought it was too patient and timid a step toward the ultimate seduction. The President has made it clear that this will be definitely on his agenda for 1955. If so, then most likely the Democrats will report it out with starting appropriation of some hundred of millions and progress many years sooner toward government health insurance.

Such a piece of legislation would be a tough one for the Rules Committee. Committing himself to the principle of peaceful penetration of this delicious goal, the President might find himself vulnerable if he tried to oppose a more violent approach. So he might go along and ask Republicans on the Rules Committee to do so, too.

In other words, unless the Republicans on this committee stand firm for a conservative Democratic - Republican coalition in about the only remaining area where such a coalition is possible the Democrats won't play and all thought of the revival of the Rules Committee as a roadblock to radical legislation will have to be forgotten.

Think Taxes May Go Over

One of the most vulnerable fortresses of the Eisenhower Administration is its tax program. Democrats have determined definitely that they want to hurt this, probably doing away with the dividend credit and perhaps also boosting the exemptions.

When as and if the House Democratic leadership triggers this, it will have little difficulty with the House Ways and Means Committee, published reports to the contrary notwithstanding.

In the Finance Committee of the Senate and particularly in its able prospective chairman, Senator Harry F. Byrd (D., Va.), the Administration has a redoubtable ally, for Mr. Byrd and these gentlemen are still conservative.

However, the higher rates of excise on liquor, tobacco, and motor vehicles drop back April 1, unless extended, and at the same time the corporation income tax rate drops back to 47% from 52%. The Administration needs the revenues from these higher rates, and therefrom arises the vulnerability.

The Administration must try to get an extension through, but this gives the "liberals" an opportunity to tack on such amendments as they can boosting personal exemptions and cutting out such reform features of the 1954 act as the dividend credit.

Thus, while the Finance Committee may stop the "liberal" tax program it can do so only at the expenses of sacrificing the higher rates on these excises and on corporations.

It is only an informed hunch on Capitol Hill, but what is expected to happen, after much sound and fury, is that the Democrats will allow the extensions to go forward without amendments until 1956, when they will again be in the same tactical position on the eve of a Presidential campaign to vote their pretty forms of tax relief.

T-H Faces Severe Test

The Taft-Hartley act's mild restraints on organized labor face the most severe test of survival that has been presented since the birth of the law in 1947.

The Senate Labor Committee can be expected to clear the way or debilitating amendments. The primary barriers to restoring the Wagner Act's blessings to the walking delegates will rest with the Rules and Labor Committees of the House.

Rep. Graham Barden (D., N. C.) is slated to be chairman of the House Labor Committee, and he is a stout supporter of T-H.

However, Democratic "liberals" are talking about a maneuver to knock off Mr. Barden by splitting the House Committee into "Education" and "Labor" committees (its full legal name is the Committee on Education and Labor). They would then give the Labor Committee to Rep. Augustine B. Kelly (D., Pa.) a friend of the unions.

The Education and Labor Committees were combined under the Legislative Reorganization Act of 1947, which was a political science professors' dream of how to improve Congress by cutting down the number of committees although not the volume of committee business. The work was just as overwhelming as before but instead of being committee chairmen, members became subcommittee chairman with just as much to do.

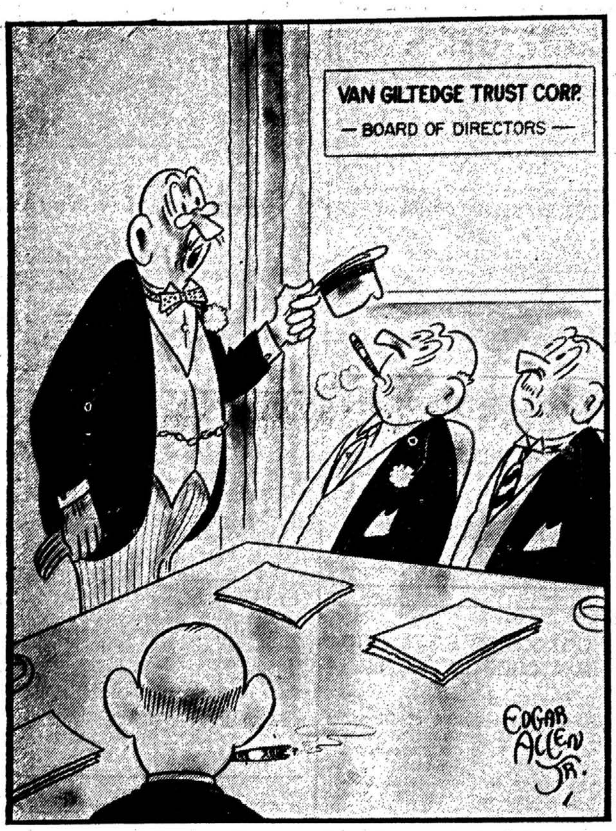
If this maneuver succeeds and Barden is shunted aside, than there is a better than even chance (especially since Eisenhower backs some amorphous modification of T-H) that debilitation of the Taft-Hartley Act will be enacted. The Rules Committee would then be the only possible block against this development.

Appleby Is Old Washington Hand

Paul Appleby, whom Gov.-elect Averell Harriman of New York named as his budget director, is an old Washington hand. When Henry Wallace as Secretary of Agriculture was keeping his thoughts and objectives on the higest intellectual plane, Mr. Appleby came in substance to become the fellow who administered the Department of Agriculture. It was often said here that Mr. Wallace came to appreciate Mr. Appleby because the latter came early in the game to appreciate and pass on to Mr. Wallace, Mr. Appleby's conviction that Mr. Wallace was just what the United States of America needed for a President.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



"Sorry I'm late, gentlemen, I had one whale of a time finding a parking meter with time still on it!"

COMING EVENTS

In Investment Field

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

Dec. 3, 1954 (New York, N. Y.)
Security Traders Association of New York annual business meeting and election at the Bankers Club.

Dec. 7, 1954 (Denver, Colo.)
Bond Club of Denver annual meeting at the University Club.

Dec. 13, 1954 (New York, N. Y.)
Association of Customers' Brokers annual Christmas Dinner and Quarterly Meeting at Whyte's Restaurant.

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

Dec. 22, 1954 (Denver, Colo.)
Bond Club of Denver-Rocky Mountain Group Investment Bankers Association Christmas Cocktail Party at the Denver Club.

Mar. 11, 1955 (New York, N. Y.)
New York Security Dealers Association 29th Annual Dinner at the Biltmore Hotel.

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

Sept. 11-14, 1955 (Mackinac Island, Mich.)
National Security Traders Association annual convention.

Joins Reynolds Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Leonard R. Hirschman has become connected with Reynolds & Co., 425 Montgomery Street.

With Wyatt, Neal

(Special to The Financial Chronicle)

ATLANTA, Ga.—Donald M. Tatem is now with Wyatt, Neal & Waggoner, First National Bank Building.